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SECOND MORTGAGE SURVEY
1982

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Second Mortgage Survey, 1982

Richard L. Peterson*

Abstract:

This report analyzes the responses of National Second Mortgage Association (NSMA) members to requests for information on the association's annual questionnaire and membership application and renewal forms. The membership reports show that NSMA members held over $15 billion in second mortgages outstanding at year-end 1981. In addition, the questionnaire data also provide useful insights into second mortgage growth and loan flows; the average size of second mortgage loans; loan terms; loan delinquencies, losses and chargeoffs; and the profitability of second mortgage lending.

In general, the data indicate that losses on second mortgage lending are still quite low. Average foreclosures were well under one-half of one percent. Furthermore, most lenders reported chargeoff rates below one-third of one percent and total delinquencies (of over 60 days) less than two percent. However, some lenders experienced serious loss and delinquency problems in 1981. Possibly as a result, and also because short-term costs of funds rose sharply while interest returns on second mortgages did not rise as rapidly, second mortgage lending was not profitable for a number of lenders in 1981.

Nonetheless, low profits were not universal. Many lenders made profits on their second mortgage lending. Further, those mortgage bankers who

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looked to origination and servicing fees rather than interest as a source of profits reported excellent rates of return on equity from their mortgage lending operations in 1981.

Other key data show that most lenders expanded their second mortgage holdings by 17 to 57 percent in 1981. Growth in the average size of second mortgage loans continued during the year, but at a much lower rate than in the past. Thus, growth in loans outstanding primarily reflected the fact that more new loans were made than were liquidated. Possibly because of higher interest rates, second mortgage liquidation rates at most lenders were lower than those computed for 1980. However, exact comparisons are difficult to make because better data allowed liquidation rates to be calculated more precisely in 1981.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed tables (2A to 6B) to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, commercial banks, bank affiliated finance companies with large holdings of second mortgages, bank affiliated finance companies with smaller holdings of second mortgages, non-bank finance companies with large holdings of second mortgages, non-bank finance companies with smaller holdings of second mortgages, and "all other" respondents (which were primarily savings and loan associations).

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I. Overview:

In recent years the second mortgage market has been growing at a very rapid rate. Yet there has been little hard information available on the nature of the second mortgage market and the terms of second mortgages. Consequently, the National Second Mortgage Association has conducted annual surveys of its members to obtain as much information as possible about the nature of this rapidly expanding market.

The first survey was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to conduct surveys of second mortgage lenders in 1979, 1980 and 1981. These were published by the Credit Research Center as Working Papers No. 33, 39, and 42---which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center. This year's survey was mailed out by the NSMA while the author was still affiliated with the Credit Research Center, but the data were processed and the report was prepared only after the author became affiliated with the finance faculty and the Institute for Banking and Financial Studies at Texas Tech University.

The data analyzed in this report were obtained from two sources. First, limited data reported by NSMA members on their membership application and renewal forms were analyzed to determine the size of the market covered by NSMA members and the overall incidence of foreclosure. Those data (reported in Table 1), indicate that NSMA members held over $15 billion in second mortgages at year-end 1981, originated $6.5 billion in

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Table 1: Second Mortgage Outstandings, Originations, and Foreclosures - as Reported on NSMA Membership Application and Renewal Forms

Item	Total for All Respondents (or overall average)	Average per Respondent	Maximum Value	Number of Respondents
A. Outstanding Loans				
1. Number	1.13 million	15,068	127,922	75
2. Net Amount	$15.24 billion	$203 million	$2.12 billion	75
3. Average Size	$13,486 [1]	$19,799 [2]	$207,442	74
B. Originations in past year				
1. Number	401,154	5,349	52,401	75
2. Net Amount	$6.51 billion	$87 million	$953 million	75
3. Average Size	$16,220 [1]	$22,895 [2]	$191,773	74
C. Foreclosures				
1. Number Foreclosed	4876	69	1899	71
2. Average Foreclosure rate	0.43% [1]	0.746% [2]	9.82%	71

[1] Average Value (or rate) per loan.

[2] The average is not weighted by the number of loans. It is a simple average of the averages reported by each individual respondent. Thus lenders with large average values inflate these figures.

second mortgages during 1981, and foreclosed on 4,876 or 0.43% of their outstanding loans during 1981.

The second source of data was far more detailed. The data were reported by 56 NSMA members who responded to a questionnaire distributed by the NSMA. The data provided in those questionnaires provide valuable insights into the nature of growth in the second mortgage market; second mortgage loan refinancings, repayments, and cash flows; secondary market participation by NSMA members; second mortgage loan sizes and terms; second mortgage delinquency ratios, foreclosures, and chargeoffs; and factors affecting the profitability of second mortgage lending.

Due to improvements in the questionnaire and considerable care taken by most, but not all, of the respondents, the data reported in this survey are far more comprehensive, and should be more reliable than some of the data reported in previous surveys. The data were improved four ways. First, reports based on 1977 and 1978 data were able to distinguish the behavior of second mortgage lenders only by the size of their second mortgage holdings, while reports using 1979 and 1981 data made more useful distinctions based on the type of lender. However, this report provides separate information both by type of lender and, where sufficient numbers of lenders reported, by the size of their loan holdings. Second, delinquency rates reported in previous years were in some cases suspect as not all lenders reported delinquency rates solely for second mortgage loans. In this survey, however, all delinquency rate data reported apply only to second mortgage loan portfolios. Third, in previous surveys it was not possible to distinguish accurately between net and gross loan extensions and outstandings. Consequently, cash flow and repayment rate data frequently could not be well estimated (as no actual cash flow occurs when "unearned finance charges" are booked as part of credit extensions). In this survey, however, detailed data were available on the type of accounting used as well as on both net and gross flows. Consequently, better estimates could be made of loan repayment rates. Finally, this survey provides a more detailed tabulation of sources of profits for second mortgage lenders of various types than has been previously available.

However, there were still some reporting problems associated with the survey. First many of the largest holders, including many large banks (most of whom had newly joined the NSMA), did not report on the questionnaire. Consequently, the data reported on the questionnaire apply to only about sixty percent of the second mortgage holdings reported on the membership application and renewal forms. Second, a number of reporters (particularly depository institutions, but also many large unaffiliated finance companies) were unable to isolate data relating solely to second mortgages from their other operating data. This caused numerous observations to be omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1982 NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1981, and to second mortgage transactions during 1981. Because of the distinct nature of different financial entries, data are reported separately for the following categories of reporters:

(1) Bank-affiliated finance companies holding under $100 million in outstanding second mortgages

(2) Bank-affiliated finance companies holding $100 million or more in outstanding second mortgages

(3) Other finance companies holding under $100 million in second

mortgages

(4) Other finance companies holding $100 million or more in second mortgages

(5) Mortgage bankers

(6) Commercial banks and

(7) Other lenders (three savings and loan associations and one mortgage broker).

II. Loan Volume and Outstandings - Summary Tabulations

Some key data reported in the survey questionnaire are summarized for each type of lender in Tables 2A and 2B. Much more detailed and analytical data follow in Tables 3A through 6B.

In Tables 2A and 2B, summary data are compiled for each of the seven groups analyzed as well as for the sample as a whole. The number of members in each group of respondents is given in parentheses at the top of each column.

In the top half of the table. for each item the sum of all data reported by all members in each group of respondents is reported in the table, and the number of respondents is recorded in parentheses beside each item. Totals for all respondents are reported in the right hand column of Table 2B.

In the bottom half of the table, key ratios are computed by taking the ratios of summary data reported in the top half of the table. These ratios may be inaccurate if the number of respondents for each data item differ. However, they are the only data reported that refer to dollar weighted averages for sums of all data reported by all respondents. All other data

Table 2A: Loan Volume and Outstandings

	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders (8)	Large Holders (9)	Small Holders (9)	Large Holders (11)
Outstandings				
Number	52,414 (7)	105,147 (80)	32,709 (9)	449,083 (9)
Gross Value	$303.3 mil. (6)	$1,704.7 mil. (8)	$357.7 mil. (7)	$6,049.9 mil. (8)
Net Value	$327.9 mil. (7)	$1,360.5 mil. (8)	$283.7 mil. (9)	$5,393.2 mil. (9)
Originations				
Number	25,247 (8)	46,553 (8)	14,752 (9)	241,446 (10)
Gross Value	$181.4 mil. (7)	$595.4 mil. (5)	$228.6 mil. (7)	$2,134.0 mil. (6)
Net Value	$176.8 mil. (8)	$732.5 mil. (8)	$133.7 mil. (7)	$2,906.0 mil. (9)
Refinancings	$23.7 mil. (7)	$66.0 mil. (3)	$39.8 mil. (9)	$824.7 mil. (6)
Foreclosures				
Number	216 (8)	406 (9)	83 (70)	1,221 (9)
Value	$6.91 mil. (7)	$9.14 mil. (9)	$1.14 mil. (7)	$26.85 mil. (8)
Serviced Loans				
Number	125 (1)	187 (2)	366 (3)	9,427 (3)
Net Value	$2.8 mil. (1)	$4.0 mil. (2)	$6.0 mil. (3)	$91.8 mil. (3)
Purchased Loans				
Number	481 (3)	7,232 (5)	3,219 (4)	16,152 (4)
Net Value	$5.0 mil. (3)	$46.4 mil. (3)	$27.1 mil. (40)	$315.2 mil. (5)
Loans Sold				
Number	-----	492 (2)	488 (2)	7,854 (2)
Net Value	-----	$14.1 mil. (2)	$5.7 mil. (2)	$119.9 mil. (2)
Average Size (Net Outstandings)	$6,256	$12,939	$8,674	$12,009
Average Size (New Loans)	$7,003	$15,735	$9,063	$12,036
Refinancings/ Net Extensions	13.4%	9.0%	29.8%	28.4%
(#) Serviced Loans (% of Outstandings)	0.24%	0.18%	1.12%	2.10%
(#) Purchased Loans (% of Originations)	1.91%	15.53%	15.04%	6.69%
(#) Loans Sold (% of Originations)	0.00%	1.06%	3.31%	3.25%
(#) Foreclosures (% of Outstandings)	0.41%	0.39%	0.25%	0.27%

Table 2B: Loan Volume and Outstandings

	Mortgage Banks (10)	Commercial Banks (5)	Other (S & L's) (4)	All Respondents
Outstandings				
Number	23,768 (8)	8,327 (5)	30,194 (3)	701,642 (49)
Gross Value	$329.9 mil. (5)	$39.3 mil. (4)	$13.3 mil. (1)	$8,798.1 mil. (39
Net Value	$285.1 mil. (8)	$59.9 mil. (4)	$561.2 mil. (3)	$8,271.5 mil. (48
Originations				
Number	12,087 (10)	2,548 (5)	17,782 (4)	360,415 (54)
Gross Value	$54.7 mil. (4)	$10.3 mil. (3)	-----	$3,204.4 mil. (32
Net Value	$220.8 mil. (10)	$27.4 mil. (4)	$426.3 mil. (4)	$4,623.5 mil. (50
Refinancings	$5.34 mil. (3)	$0 mil. (2)	$0.95 mil. (1)	$960.5 mil. (31)
Foreclosures				
Number	98 (9)	14 (4)	155 (3)	2,193 (49)
Value	$2.46 mil. (10)	$0.18 mil. (4)	$3.90 mil. (3)	$132.8 mil. (48)
Serviced Loans				
Number	11,597 (6)	-----	319 (1)	22,021 (16)
Net Value	$141.5 mil. (6)	-----	$1.9 mil. (1)	$248 mil. (16)
Purchased Loans				
Number	480 (2)	-----	7,348 (1)	33,912 (19)
Net Value	$8.5 mil. (2)	-----	$171.9 mil. (1)	$541.1 mil. (18)
Loans Sold				
Number	3,891 (5)	-----	475 (2)	13,200 (13)
Net Value	$34.4 mil. (5)	-----	$15.4 mil. (2)	$189.4 mil. (13)
Average Size (Net Outstandings)	$11,995	$7,194	$18,587	$11,788
Average Size (New Loans)	$18,268	$10,754	$23,974	$12,828
Refinancings/ Net Extensions	2.4%	0%	0.2%	20.8%
(#) Serviced Loans (% of Outstandings)	48.79%	0%	1.06%	3.14%
(#) Purchased Loans (% of Originations)	3.97%	0%	41.32%	9.41%
(#) Loans Sold (% of Originations)	32.19%	0%	2.67%	3.66%
(#) Foreclosures (% of Outstandings)	0.41%	0.17%	0.51%	0.31%

reported in the study refer to either averages per institution or to median values. In those computations each institution's statistics are given equal weight, while at the bottom of Tables 2A and 2B, each loan, or each dollar of outstandings (as the case may be) is given equal weight.

Key statistics reported in Table 2 indicate that 49 survey respondents held over 700,000 second mortgages worth more than $8 billion at year-end 1981.

Originations of second mortgages in 1981 totaled slightly more than half the number and net value of second mortgage loans reported outstanding at year-end. The average size of net second mortgage holdings reported was $11,788 for mortgages outstanding at year-end and $12,828 for second mortgage originations during 1981.

Refinancings accounted for slightly more than 20% of reported mortgage loan originations in 1981. Refinancings were most common at non-bank finance companies (which carried the largest weight in the sample), were somewhat less common at bank-affiliated finance companies, and were relatively rare or non-existent at mortgage bankers and depository institutions.

Secondary market activity was not widespread, but it was not insignificant either. Sixteen respondents reported servicing second mortgage loans for others. The number of loans serviced, at 22,000, equalled slightly more than three percent of the number of loans outstanding. The number of loans sold, reported as 13,200 by 13 respondents, equalled slightly less than four percent of the number of new loans originated in 1981. Unsurprisingly, mortgage bankers were the most active sellers of loans. Interestingly, more NSMA members reported purchasing loans than reported selling them. The number of loans purchased was reported as 33,912 by 19 respondents. That equalled 9.4% of the amount of loans originated in 1981.

Second mortgage purchase activity was most prevalent at savings and loan associations and finance companies. However, one finance company had purchased its entire portfolio.

In addition to loan stock and flow data, Tables 2A and 2B also provide summary data on total foreclosures. Respondents to the questionnaire reported 2,193 foreclosures, which equalled 0.31% of their second mortgage loans outstanding at year-end. The actual foreclosure risk is undoubtedly somewhat higher than that because many new loans were originated during the year. Tables 6A and 6B provide more details on foreclosures.

III. Second Mortgage Growth and Flows

The amount of second mortgage loan holdings reported by NSMA members was much larger at year-end 1981 than at the end of 1980 ($15 billion versus $8 billion). However, such comparisons do not accurately measure growth because some new NSMA members with very large holdings of second mortgages joined the NSMA in 1981. In order to measure growth more precisely, the growth rates of individual firms were calculated by comparing 1981 data reported on the questionnaire to equivalent data reported for 1980. Those comparisons are reported in Tables 3A and 3B.

Tables 3A and 3B report separate data for each of the seven groups of respondents to the survey. For each item of information, a median (or middle) value is given. Following that, the number of respondents in each group which reported reasonable values is provided in parentheses. Finally, below that, also in parentheses, the range of reasonable responses is provided. The low value is on the left side of the parentheses. All succeeding tables use these same data reporting conventions.

The growth data reported in Tables 3A and 3B indicate that most respondents experienced a substantial increase in loans outstanding in 1981. Only a few groups had members whose loans outstanding had declined. Meanwhile, median growth rates ranged from 17% to 57% at most lenders with even higher growth rates reported by savings and loans. In contrast with earlier years, growth rates at most lenders were not strongly affected by growth in the average size of loans held. Instead, the rapid growth primarily reflected growth in the number of loans held.

Growth in the rate of loan originations was not nearly as rapid as growth in the amount of loans outstanding. Net originations actually declined for a number of respondents, as many did not make as many second mortgage loans in 1981 as in 1980. However, the average size of new loans generally rose. Further, possibly because of some slowing in repayment rates, the volume of extensions generally exceeded the volume of repayments. Consequently, outstanding stocks of second mortgages grew rapidly even though the number of new loan originations grew only modestly at most lenders. Once again, savings and loan associations were a notable exception as their loan extensions grew at a very high rate.

Repayment rates on second mortgage loans could be calculated more accurately than in previous years due to greater data availability. The data indicated that loan repayment rates in 1981 were lower than in 1980--possibly because rising interest rates or a depressed housing market made it less attractive or more difficult for borrowers to prepay their loans.

Comprehensive repayment rates included scheduled amortization, prepayments, and renewals expressed as a percentage of average balances outstanding. Cash repayment rates were similar except they did not allow for renewals--since no cash need change hands in that case.

Median repayment rates on a net basis were generally between 30% and 40% of average outstandings in 1981. In contrast, in 1980, the median repayment rate reported for all lenders was 44.8 %.[1] After refinancings (which accounted for 20 to 30% of most finance company loan originations) were taken into account, cash repayment rates at most lenders most commonly ranged from 10% to 40%--and the highest rate reported was 63.3%. Cash repayment rates in general were considerably lower than calculated rates of cash repayment in 1980. In 1980 however, repayment rates were not adjusted for the effect of second mortgage loan purchases and sales. In 1981, in contrast, repayment rates (RR) were calculated as RR=(Extensions + Outstandings at end of previous year + Purchases - Sales - Outstandings at end of current year)/Average Outstandings in 1981.

The final data reported in Tables 3A and 3B indicate that, as was true in previous years, the vast majority of second mortgage loans were made to households. In cases where over half of the respondents reported making no business loans, the _average_ percentage of business loans reported by each institution is given in parentheses instead of a median value (which would equal zero and therefore provide little new information). In addition, the last line in the table shows that purchase money second mortgages accounted for less than half of total second mortgage originations at all respondents. In fact, for the vast majority of respondents, second mortgages were rarely made to finance a consumer's acquisition of a new house.

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[1] See Richard L. Peterson, Marc Van Doorne and Margaret Woo, "Second Mortgage Survey, 1981," Credit Research Center, _Working Paper No. 42_, Purdue University, 1982.

Table 3A: Growth and Loan Flows

	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders (8)	Large Holders (9)	Small Holders (9)	Large Holders (11)
Growth in:				
Net Outstandings($)	+17.2% (6) (7.8 to 31.2%)	+56.9% (7) (23 to 101%)	+25.6% (8) (-20.7 to 143%)	+31.9% (6) (1.3 to 144%)
Number of Outstandings	+10.3% (6) (4.6 to 18.5%)	+36.1% (6) (21 to 71%)	+18.8% (7) (-17.9 to 126%)	+26.2% (6) (0.9 to 78.8%)
Average Size of Net Outstandings	+3.1% (5) (-0.2 to 20.2%)	+13.6% (6) (-2.7 to 26%)	+2.8% (8) (-21.8 to 32%)	+9.3% (6) (-0.9 to 36.6%)
Net Originations ($)	-6.9% (6) (-30.8 to 33.7%)	+50.2% (5) (-33.2 to 228%)	+80% (4) (38.2 to 209%)	+13.4% (7) (-56.0 to 32.0%
Number of Originations	-10.0% (6) (-47.4 to 34.6%)	+28.8% (6) (-31.8 to 96.2%)	+29.8% (7) (-39.6 to 175%)	+4.4% (8) (-56 to 225%)
Average Size of Originations	+6.3% (6) (-1.2 to 95.6%)	+4.6% (5) (-2.0 to 130%)	+27% (3) (6.5 to 164%)	+0.6% (7) (-10.8 to 17.6%
Repayments				
Refinancings %, Net Basis	29.6% (4) (5.5 to 41.4%)	0% (4) (0.00 to 6.7%)	28.7% (4) (0.00 to 59.0%)	25.6% (5) (21.1 to 65.7%)
Refinancings %, Gross Basis	12.7% (3) (8.0 to 16.1%)	18.7% (2) (9.7 to 27.6%)	11.5% (4) (8.4 to 29.2%)	----- -----
Repayment Rate, Net Basis	35.3% (7) (19.8 to 66.1%)	22.3% (8) (16.5 to 50.1%)	57.8% (6) (14.2 to 70.4%)	31.6% (6) (20.4 to 58.3%)
Repayment Rate, Gross Basis	30.8% (5) (25.0 to 54.0%)	29.1% (5) (16.3 to 35.8%)	55.7% (4) (45.8 to 71.5%)	12.9% (2) (3.7 to 22.0%)
Cash Repayments, Net Basis	19.7% (7) (9.8 to 61.7%)	17.9% (4) (16.5 to 26.4%)	22.6% (5) (21.4 to 63.3%)	27.0% (5) (9.5 to 42.3%)
Purchase Money Loans				
Percent of Originations	4.3% (6) (0.00 to 12%)	10% (6) (0.00 to 40%)	0.48% (4) (0.00 to 40%)	0% (3) (0.00 to 40%)
Percentage Business Loans				
Based on Dollars	(Avg. 8.7%) (7) (0.00 to 57.8%)	(Avg. 8.2%) (7) (0.00 to 30.1%)	20.0% (1)	(Avg. 3.1%) (7) (0.00 to 18.8%)
Based on Numbers	(Avg. 4.2%) (7) (0.00 to 28.0%)	(Avg. 6.2%) (6) (0.00 to 27.0%)	19.8% (1)	(Avg. 1.4%) (7) (0.00 to 9.2%)

Table 3B: Growth and Loan Flows

	Mortgage Banks (10)	Commercial Banks (5)	Other (S & L's) (4)
Growth in:			
Net Outstandings($)	+43% (6) (-6.3 to 204%)	+46.8% (3) (11.8 to 68.6%)	+595% (2) (359 to 831%)
Number of Outstandings	+33% (6) (-8.0 to 111%)	+22.2% (4) (0.8 to 64.3%)	531% (2) (419 to 643%)
Average Size of Outstandings	+19% (6) (0.8 to 44%)	+3.0% (3) (2.6 to 9.8%)	+6.9% (2) (-11.4 to 25.3%)
Net Originations ($)	-5.5% (5) (-21.6 to +107%)	-13.2% (2) (-23.7 to -2.7%)	+679% (3) (334 to 2077%)
Number of Originations	-2% (6) (-25.7 to 108%)	-9.6% (3) (-20.5 to 3.8%)	580% (3) (315 to 840%)
Average Size of New Loans	+11.6% (5) (5.5 to 56%)	+1.8% (2) (-4.0 to 7.7%)	+14.6% (3) (4.6 to 131.6%)
Repayments			
Refinancings %, Net Basis	(Avg. 2.2%) (9) (0.00 to 15.0%)	0% (3) -----	0.25% (1) -----
Refinancings %, Gross Basis	2.0% (1) -----	0% (1) -----	----- -----
Repayment Rate, Net Basis	36.6% (4) (13.9 to 60.0%)	15.5% (3) (10.4 to 38.5%)	38.5% (2) (24.1 to 53.2%)
Repayment Rate, Gross Basis	46.7% (2) (44.0 to 49.5%)	27.9% (3) (15.5 to 36.9%)	----- -----
Cash Repayments, Net Basis	23.0% (4) (13.9 to 26.0%)	15.5% (3) (10.4 to 38.5%)	38.3% (2) (24.1 to 52.9%)
Purchase Money Loans			
Percent of Originations	(Avg. 5.5%) (6) (0.00 to 32%)	22.5% (2) (0.00 to45%)	6.5% (2) (3.0 to 10%)
Percentage Business Loans			
Based on Dollars	(Avg. 30.3%) (6) (0.00 to 100%)	50% (2) (0.00 to 100%)	0% (1) -----
Based on Numbers	(Avg. 29.9%) (6) (0.00 to 100%)	50% (2) (0.00 to 100%)	0% (1) -----

IV. Loan Sizes and Terms

As shown in Tables 4A and 4B, the average size of second mortgage loans held and made varied substantially by the type and size of lender. Finance companies with relatively small second mortgage holdings typically held and made much smaller loans than either larger holders of second mortgages or other types of financial institutions. In particular, median responses indicate that the typical "small" finance company had an average new loan size of $8,816 if it were not affiliated with a bank and $11,626 if it were affiliated with a bank. In contrast, finance companies that were "larger" holders had median loan sizes of $14,138 for those not affiliated with banks and $17,581 for those affiliated with banks. Other institutions had median new loan sizes that ranged from $14,399 at reporting commercial banks to $24,186 at savings and loan associations.

Second mortgage loans made to business were substantially larger than those made to households. The average size of business loans ranged from $14,509 at the firm that made the smallest business loans to $284,781 at the firm that made the largest second mortgages to business. The other eight firms had an average business loan size of $56,000 plus or minus $30,000--with an average size of $54,000.

The average size of loans serviced, purchased, and sold varied widely among respondents. Probably different respondents specialized in different types of markets--such as purchasing, selling, or servicing small consumer loans (such as home improvement loans), large home purchase loans, or business loans.

The average maturity of second mortgages also varied widely-- from a minimum of 42 months to a maximum of 157.1 months. Most commonly, second

Table 4A: Loan Sizes and Terms

	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders	Large Holders	Small Holders	Large Holders
Average Loan Sizes	(8)	(9)	(9)	(11)
Net Outstandings	$10,495 (6) (8,495 to 25,300)	$13,732 (8) (7,769 to 27,024)	$7,922 (9) (5,749 to 26,458)	$13,517 (9) (7,773 to 41,973)
New Originations, Net	$11,626 (7) (7,823 to 26,954)	$17,581 (8) (12,161 to 33,160)	$8,816 (7) (3,804 to 12,643)	$14,138 (9) (8,674 to 49,328)
Loans to Households	$11,311 (6) (8,974 to 12,799)	$16,869 (6) (1,513 to 35,500)	$14,362 (5) (3,842 to 27,988)	$15,339 (3) (13,956 to 18,328
Loans to Business	$34,944 (2) (26,000 to 43,889)	$55,464 (2) (35,912 to 75,016)	$14,509 (1)	$63,838 (2) (42,065 to 85,611
Serviced Loans, Net	$14,399 (1)	$116,046 (2) (13,804 to 218,288)	$30,887 (2) (10,959 to 50,815)	$7,500 (3) (3,272 to 13,280)
Loans Purchased, Net	$6,804 (3) (6,123 to 10,435)	$17,841 (3) (6,286 to 39,697)	$14,733 (4) (4,282 to 24,907)	$15,813 (4) (2,554 to 41,882)
Loans Sold, Net	$0 0	$30,856 (2) (28,730 to 32,983)	$11,867 (2) (11,524 to 12,209)	$15,240 (2) (13,346 to 17,134
Loan Terms				
Average Maturity	74.5 mo. (6) (42 to 101 mo.)	108 mo. (7) (60 to 157.1 mo.)	72.5 mo. (6) (60 to 120 mo.)	107.13 mo. (6) (30 to 123 mo.
Loan to Value Ratio (Maximum)	80% (6) (70 to 85%)	85% (7) (60 to 90%)	80% (5) (80 to 85%)	77.5% (6) (75 to 80%)
Loan to Equity Ratio (Average)	70% (5) (65 to 85%)	72.5% (6) (65 to 80%)	72.5% (4) (63.6 to 75%)	67.5% (4) (27 to 80%)

Table 4B: Loan sizes and Terms

	Mortgage Bankers	Commercial Banks	Others (S & L's)
Average Loan Sizes	(10)	(5)	(4)
Net Outstandings	$18,305 (8) (6,824 to 50,432)	$12,815 (4) (5,977 to 18,190)	$30,274 (2) (18,181 to 42,367)
New Originations, Net	$19,609 (10) (5,874 to 183,427)	$14,399 (4) (9,017 to 21,080)	$24,186 (4) (18,035 to 41,425)
Loans to Households	$23,834 (4) (16,485 to 36,571)	$16,717 (1)	$35,613 (1)
Loans to Business	$183,301 (2) (81,821 to 284,781)	$39,000 (1)	(0)
Serviced Loans, Net	$14,680 (6) (10,796 to 37,534)	(0)	(0)
Loans Purchased, Net	$21,324 (2) (15,962 to 26,686)	(0)	$23,397 (1)
Loans Sold, Net	$17,351 (5) (3,052 to 45,726)	(0)	$24,838 (1)
Loan Terms			
Average Maturity	81 mo. (6) (34 to 111 mo.)	72 mo. (2) (60 to 84 mo.)	130 mo. (1)
Loan to Value Ratio (Maximum)	80% (5) (76 to 90%)	80% (2) (80 to 80%)	90% (3) (80 to 90%)
Loan to Equity Ratio (Average)	70.75% (4) (66 to 90%)	39% (2) (8 to 70%)	73.39% (3) (20 to 80%)

mortgage loans seemed to have maturities of six to nine years--with many made as short as 5 years and some made as long as ten to fifteen years.

Maximum loan to value ratios ranged from 60% to 90%, with most lenders using an 80% requirement. Loan to equity ratios were lower than loan to value ratios because preexisting (first) mortgages had prior claim on the value of the property. Reported loan to equity ratios changed from eight to 90%, with most around 70%.

Overall, loan terms appeared to have changed very little from 1980. While average loan sizes often were slightly larger, typical loan maturities and loan-to-value ratio requirements appeared to be little changed. However, beacuse some tightening of loan terms had occurred in 1980, loan terms in 1981 (particularly loan-to-value ratios) probably were slightly more restrictive than they had been in 1979.

V. Profitability of Second Mortgage Lending

Tables 5A, 5B, 5C, and 5D summarize the data relating to the profitability of second mortgage lending. Because many respondents were not able to provide the requested information for second mortgage holdings, *per se*, they were asked to provide similar information for their full portfolio. This procedure had several advantages. First, some key ratios, such as costs of borrowed funds and debt-to-equity ratios probably are most appropriate when they are measured for the full portfolio. Second, for those institutions that could provide independent data for second mortgages and their full portfolios, it allows the relative levels of interest yields, profitability, and non-interest revenue sources (such as origination fees, service charges, and insurance) to be compared.

Overall, the data indicate that second mortgage lending generally was not as profitable in 1981 as in preceding years. Many lenders (including the majority of all finance companies and one "mortgage banker" who held substantial amounts of receivables) had negative returns on equity for their second mortgage lending operations in 1981.

The only lender group to show a high median return on equity was the mortgage banker group. The majority of mortgage bankers were profitable because they had some of the lowest debt-to-equity ratios and relatively high ratios of service fees, origination fees, and insurance fees to gross returns. The least profitable mortgage banker was the one that obtained the vast majority of its income from interest rather than fees.

The profitability of second mortgage lending was reduced in 1981 because, for most lenders, average costs of debt were relatively high. Looking at full portfolio debt costs, median interest costs varied from 9.9% (at a large non-bank finance company) to 25.5% (at a mortgage banker). Only "large" finance companies generally had relatively low costs of debt (with a median cost of 12.2% for non-bank finance companies and a median cost of 13.8% for "large" bank affiliated finance companies). Finance companies that held smaller amounts of second mortgages generally had higher borrowing costs (with a median cost of 14.0% for non-bank affiliated companies and a median cost of 15.4% for bank affiliated companies) while mortgage bankers had the highest borrowing costs of all (with a median cost of 17.5%). Clearly, those companies that had large amounts of low cost long-term debt outstanding (such as non-bank finance companies) had the lowest average interest costs while those which traditionally use short-term financing (such as mortgage bankers) paid the highest interest rates.

Table 5A: Profitability Factors

	Bank Affiliated Finance Companies			
	Small Holders		Large Holders	
Debt Ratios	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Interest Paid/ Average Debt	16.3% (3) (15.0 to 17.0%)	15.4% (6) (14.3 to 17.0%)	13.1% (4) (11.56 to 14.07%)	13.8% (7) (11.6 to 17.9%)
Debt/Equity Ratio	13.7 (2) (11.2 to 16.1)	5.7 (6) (4.8 to 16.1)	5.6 (4) (4.4 to 15.7)	4.8 (7) (0.5 to 15.7)
Debt/Average Receivables	85.9% (3) (79.3 to 93.0%)	83.5% (5) (75.9 to 125%)	91.3% (4) (81.5 to 94.7%)	79.2% (4) (64.0 to 91.0%)
Returns				
Gross Returns/ Avg. Receivables	17.8% (3) (14.4 to 18.9%)	21.1% (5) (15.9 to 23.2%)	18.4% (3) (13.5 to 18.8%)	20.0% (5) (11.8 to 23.0%)
Interest Returns/ Avg. Receivables	14.1% (3) (13.4 to 17.9%)	18.0% (5) (15.4 to 21.3%)	18.0% (5) (12.5 to 26.6%)	16.4% (4) (11.0 to 19.1%)
Interest Returns/ Gross Returns	94.3% (3) (75.4 to 98.0%)	85.7% (6) (64.5 to 96.9%)	98.1% (3) (93.1 to 100%)	93.2% (6) (82.6 to 94.2%)
Service Fee/ Gross Returns	-----(0) -----	-----(0) -----	-----(0) -----	0.01% (2) (0.009 to 0.01%
Origination Fee/ Gross Returns	8.9% (2) (0.3 to 17.4%)	5.1% (2) (0.7 to 9.4%)	2.5% (1) -----	2.7% (2) (2.5 to 2.9%)
Broker Fee/ Gross Returns	-----(0) -----	-----(0) -----	-----(0) -----	-----(0) -----
Insurance Fee/ Gross Returns	3.13% (3) (0.3 to 3.8%)	17.9% (6) (1.1 to 35.5%)	2.2% (2) (1.9 to 2.5%)	4.9% (7) (0.2 to 10.6%)
Net Profits/ Avg. Receivables	+0.13% (3) (-2.8 to 2.4%)	+0.7% (6) (-3.1 to 11.5%)	-0.02% (2) (-0.6 to 0.6%)	-0.5% (7) (-3.4 to 4.5%)
Pretax Return on Equity	-8.3% (2) (-48.2 to 31.6%)	+5.2% (6) (-33.4 to 193%)	-3.4% (2) (-10.2 to 3.3%)	-2.0% (6) (-10.2 to 21.4%
Profits/Gross Returns	0.75% (3) (-19.3 to 12.8%)	3.1% (6) (-13.7 to 10.9%)	-0.7% (2) (-4.4 to 3.0)	-2.3% (7) (-8.3 to 22.8%)

Table 5B: Profitability Factors

	Other Finance Companies			
	Small Holders		Large Holders	
Debt Ratios	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Interest Paid/ Average Debt	19.9% (3) (12.1 to 20.4%)	14.00% (5) (10.86 to 19.91%)	12.8% (3) (9.8 to 14.5%)	12.2% (9) (9.9 to 14.5%)
Debt/Equity Ratio	77.2 (1) -----	3.51 (4) (0.84 to 7.40)	8.4 (3) (7.0 to 32.6)	6.5 (10) (.25 to 32.6)
Debt/Average Receivables	84.8% (4) (40.0 to 164.3%)	82.2% (5) (20.3 to 85.0%)	116% (3) (91.9 to 157%)	105% (10) (44 to 216%)
Returns				
Gross Returns/ Avg. Receivables	18.3% (5) (2.4 to 47.7%)	24.2% (6) (19.0 to 37.6%)	20.5% (3) (19.9 to 24.6%)	21.9% (7) (9.3 to 33.9%)
Interest Returns/ Avg. Receivables	20.00% (7) (17.2 to 38.5%)	19.28% (6) (12.2 to 27.0%)	18.35% (2) (17.0 to 19.7%)	20.6% (8) (14.5 to 27.6%)
Interest Returns/ Gross Returns	97.8% (4) (80.7 to 100%)	78.5% (6) (64.0 to 94.5%)	91.0% (2) (82.7 to 99.2%)	85.6% (7) (81.3 to 99.9%)
Service Fee/ Gross Returns	-----(0) -----	-----(0) -----	0% -----	0% -----
Origination Fee/ Gross Returns	2.15% (2) (2.06 to 2.23%)	-----(0) -----	1.6% (1) -----	0.06% (3) (0.02 to 2.2%)
Broker Fee/ Gross Returns	-----(0) -----	-----(0) -----	0% -----	0.16% (1) -----
Insurance Fee/ Gross Returns	19.3% (1) -----	11.66% (6) (3.7 to 28.3%)	7.7% (2) (0.7 to 14.7%)	9.8% (6) (0.08 to 18.7%)
Net Profits/ Avg. Receivables	0.70% (2) (-5.9 to 7.3%)	0.55% (6) (-3.2 to 4.5%)	-0.4% (3) (-1.6 to 7.8%)	1.5% (9) (-1.6 to 4.5%)
Pretax Return on Equity	-6.26% (2) (-26.6 to 14.1%)	1.48% (5) (-29.6 to 23.8%)	-3.6% (3) (-34.1 to 47.2%)	5.44% (10) (-34.1 to 47.2%
Profits/Gross Returns	13.79% (2) (-12.4 to 39.9%)	2.21% (6) (-16.7 to 12.0%)	-1.9% (3) (-8.3 to 31.7%)	6.3% (7) (-7.5 to 31.7%)

Table 5C: Profitability Factors

	Mortgage Banks		Commercial Banks	
Debt Ratios	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Interest Paid/ Average Debt	15.8% (3) (15.7 to 25.5%)	17.5% (6) (12.6 to 25.5%)	----- -----	----- -----
Debt/Equity Ratio	3.3 (4) (0.00 to 13.1)	4.9 (7) (0.00 to 38.4)	1.1 (1) -----	0.01 (1) -----
Debt/Average Receivables	77.0% (3) (0.00 to 94.5%)	70.0% (6) (0.00 to90.7%)	----- -----	0.5% (1) -----
Returns				
Gross Returns/ Avg. Receivables	50.8% (4) (14.1 to 81.7%)	37.4% (7) (12.8 to 94.0%)	19.7% (1) -----	----- -----
Interest Returns/ Avg. Receivables	16.27% (4) (12.3 to 27.6%)	12.4% (7) (7.2 to 32.3%)	17.9% (1) -----	----- -----
Interest Returns/ Gross Returns	37.8% (4) (23.3 to 96.2%)	34.4% (7) (19.3 to 96.2%)	91.1% (1) -----	91.35% (1) -----
Service Fee/ Gross Returns	3.6% (4) (0.00 to 13.0%)	4.8% (7) (0.00 to 33.5%)	0% (1) -----	----- -----
Origination Fee/ Gross Returns	3.3% (4) (0.00 to 26.3%)	20.4% (7) (0.00 to 66.0%)	0% (1) -----	----- -----
Broker Fee/ Gross Returns	5.9% (4) (0.00 to 39.0%)	3.2% (7) (0.00 to 37.3%)	0% (1) -----	----- -----
Insurance Fee/ Gross Returns	1.9% (4) (0.00 to 25.7%)	1.4% (7) (0.00 to 25.7%)	0% (1) -----	----- -----
Net Profits/ Avg. Receivables	15.9% (4) (-2.9 to 26.6%)	7.6% (7) (-2.7 to 20.2%)	----- -----	8.06% (1) -----
Pretax Return on Equity	27.2% (4) (-40.8 to 57.4%)	41.1% (7) (-40.8 to 217%)	----- -----	17.6% (1) -----
Profits/Gross Returns	26.2% (4) (-20.9 to 50.2%)	15.3% (7) (-20.9 to 52.3%)	----- -----	----- -----

Table 5D: Profitability Factors

	Other (Savings and Loans)	
	Seconds Only	Full Portfolios
Debt Ratios		
Interest Paid/ Average Debt	----- -----	12.39% (1) -----
Debt/Equity Ratio	----- -----	----- -----
Debt/Average Receivables	----- -----	18.9% (1) -----
Returns		
Gross Returns/ Avg. Receivables	----- -----	11.82% (1) -----
Interest Returns/ Avg. Receivables	----- -----	10.43% (1) -----
Interest Returns/ Gross Returns	----- -----	88.2% (1) -----
Service Fee/ Gross Returns	45.2% (1) -----	----- -----
Origination Fee/ Gross Returns	48.1% (1) -----	9.3% (1) -----
Broker Fee/ Gross Returns	----- -----	----- -----
Insurance Fee/ Gross Returns	6.7% (1) -----	2.6% (1) -----
Net Profits/ Avg. Receivables	0.3% (1) -----	-0.2% (1) -----
Pretax Return on Equity	----- -----	----- -----
Profits/Gross Returns	8.3% (1) -----	-2.05% (1) -----

While return on equity was often negative in 1981, this was often true of both second mortgage lending and other operations. In some cases, as in the case of savings and loan associations, second mortgage lending was more profitable than other operations. In other cases, it was not.

The reduced profits experienced by many lenders on second mortgage lending in 1981 could not be ascribed solely to rising market interest rates because the rate of return on second mortgage portfolios also rose. While the increased interest return would be less than the increase in interest paid by lenders that financed second mortgages with short-term funds, it probably was larger than the increase in interest rates paid by lenders who had long-term low cost financing--provided they did not expand their portfolios. Thus, other factors--such as high delinquency rates (see the next section)--may have contributed to the adverse profit situation for certain lenders.

Interest received on second mortgages (by non-mortgage banks) ranged from 12.5 to 38.5 percent of average second mortgage receivables. Interest returns of 18% or more were common in 1981, while several lenders reported interest returns of 20% or more.

Gross revenues were even higher relative to second mortgages than interest returns. That was so because many lenders were able to augment their gross revenues by charging mortgage origination fees or selling credit insurance. Consequently, interest returns usually accounted for 90 to 98% of gross returns on second mortgages. While this percentage was higher for second mortgage lending than it was for lender's full portfolios, it shows that non-interest sources of revenue were often important.

Overall, then, most second mortgage lenders appeared to increase their gross returns on second mortgages in 1981, but rising costs of funds at many lenders and other cost factors (possibly rising delinquencies caused by recession and declines in home prices in parts of the country) caused profits to be slim at many lenders. A notable exception was the majority of reporting mortgage bankers, who continued to earn substantial origination and servicing fees while holding few mortgages in their own portfolios.

VI. Loan Delinquencies, Chargeoffs and Foreclosures

The data reported on loan delinquencies in Tables 6A and 6B are not directly comparable to delinquency data in previous years. In prior years, it was not possible to distinguish between delinquencies applicable only to second mortgages if companies erroneously included delinquency rates on non-mortgage loans. This year, however, respondents were asked to report if their delinquency statistics applied only to second mortgages. Only if they indicated that their delinquency statistics applied solely to second mortgages were their reported statistics used to produce Tables 6A and 6B. Consequently, reported delinquency statistics are somewhat lower than in previous years--as delinquency rates tend to be lower on second mortgages than on other consumer loans.

Most commonly, total 60 day plus delinquency rates were relatively low, as most lender groups had median delinquency rates between one and two percent. Delinquency rates reported by commercial banks were even lower. However, several finance companies and mortgage bankers had serious delinquency problems as they reported total delinquency rates of seven to nine percent. A substantial number of delinquencies were relatively long-term as many lenders reported 90 to 180 day delinquencies of one-half per-

Table 6A: Delinquencies, Foreclosures and Chargeoffs

Delinquencies(%)	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders	Large Holders	Small Holders	Large Holders
60 days +	1.31% (4) (0.64 to 3.6%)	1.83% (7) (0.03 to 7.8%)	1.1% (7) (0.13 to 9.7%)	1.97% (8) (0.07 to 9.09%)
60-90 days	0.35% (4) (0.22 to 0.9%)	0.67% (7) (0.02 to 1.91%)	0.27% (7) (0.00 to 4.1%)	0.6% (8) (0.00 to 4.21%)
90-180 days	0.57% (4) (0.17 to 1.7%)	0.78% (7) (0.01 to 6.4%)	0.62% (7) (0.62 to 3.4%)	0.71% (8) (0.00 to 4.87%)
180 days +	0.52% (4) (0.00 to 1.0%)	0.27% (7) (0.00 to 0.60%)	0.25% (7) (0.25 to 2.2%)	0 (8) (0.00 to 1.46%)
Foreclosures (as % of)				
Outstandings (#)	0.24% (7) (0.06 to 2.8%)	0.25% (8) (0.06 to 3.5%)	0.01% (7) (0.00 to 1.41%)	0.24% (8) (0.00 to 1.57%)
Year Earlier Outstandings (#)	0.31% (6) (0.07 to 5.2%)	0.26% (6) (0.08 to 4.5%)	0.35% (8) (0.00 to 2.00%)	0.44% (6) (0.00 to 1.59%)
Average Outstandings($)	0.56% (7) (0.1 to 12.4%)	0.36% (9) (0.01 to 3.1%)	0.003% (7) (0.00 to 2.26%)	0.2% (7) (0.00 to 2.28%)
Year Earlier Outstandings ($)	0.61% (6) (0.14 to 7.03%)	0.46% (7) (0.01 to 3.7%)	0.23% (8) (0.00 to 2.91%)	0.50% (6) (0.00 to 2.29%)
Chargeoffs				
Gross Chargeoffs/ Average Outstandings	0.32% (7) (0.18 to 3.15%)	0.15% (8) (0.00 to 0.45%)	0.37% (7) (0.06 to 21.1%)	0.36% (7) (0.1 to 6.1%)
Net Chargeoffs/ Average Outstandings	0.26% (6) (0.16 to 2.78%)	0.13% (7) (0.00 to 0.34%)	0.30% (7) (-0.01 to 16.75%)	0.32% (6) (0.05 to 5.7%)
Recoveries/Gross Chargeoffs	7.65% (6) (3.7 to 11.7%)	7.1% (7) (0.00 to 97.1%)	12.46% (7) (0.00 to 119.1%)	9.8% (7) (0.00 to 15.4%)
Reserves				
As % of Net Outstandings	1.50% (6) (0.71 to 2.32%)	0.97% (7) (0.48 to 2.0%)	1.3% (6) (0.18 to 3.0%)	1.3% (9) (0.5 to 6.8%)
As % of Gross Outstandings	1.27% (6) (0.44 to 11.4%)	0.68% (7) (0.39 to 1.75%)	0.76% (5) (0.15 to 2.0%)	1.0% (8) (0.5 to 5.5%)

Table 6B: Delinquencies, Foreclosures and Chargeoffs

Delinquencies(%)	Mortgage Bankers (10)	Commercial Banks (5)	Other (S & L's) (4)
60 days +	1.65% (6) (0.00 to 8.7%)	0.13% (4) (0.00 to 0.79%)	1.68% (3) (0.9 to 2.81%)
60-90 days	0.55% (6) (0.00 to 1.91%)	0.08% (4) (0.00 to 0.76%)	0.9% (3) (0.55 to 0.95%)
90-180 days	0.49% (6) (0.00 to 7.9%)	0.02% (4) (0.00 to 0.1%)	0.34% (3) (0.00 to 1.75%)
180 days +	0(Avg. 0.29%).(6) (0.00 to 2.21%)	0% (4) (0.00 to 0.00%)	0.11% (3) (0.00 to 0.79%)
Foreclosures (as % of)			
Outstandings (#)	0.09% (7) (0.00 to 7.1%)	0.12% (4) (0.00 to 0.27%)	0.27% (2) (0.00 to 0.5%)
Year Earlier Outstandings ($)	0.5% (5) (0.00 to 7.1%)	(Avg. 0.07% (4) (0.00 to 0.3%)	(Avg. 0.9%) (3) (0.00 to 2.8%)
Average Outstandings($)	0.1% (7) (0.00 to 11.4%)	0.6% (1) -----	(Avg. 0.47%) (3) (0.00 to 1.4%)
Year Earlier Outstandings ($)	6.3% (5) (0.1 to 10.1%)	(Avg. 0.2%) (3) (0.00 to 0.6%)	(Avg. 1.1%) (3) (0.00 to 3.4%)
Chargeoffs			
Gross Chargeoffs/ Average Outstandings	0.03% (7) (0.00 to 1.9%)	0.09% (1) -----	----- -----
Net Chargeoffs/ Average Outstandings	0.03% (7) (0.00 to 1.8%)	0.09% (1) -----	----- -----
Recoveries/Gross Chargeoffs	9.8% (4) (0.00 to 22.7%)	0% (1) -----	----- -----
Reserves			
As % of Net Outstandings	1.6% (3) (0.7 to 2.5%)	----- -----	0.17% (1) -----
As % of Gross Outstandings	0.76% (3) (0.7 to 1.9%)	----- -----	----- -----

cent or more, and a number reported substantial delinquencies more than 180 days past due.

As a general rule, foreclosure rates were quite low--with median rates of foreclosure from most lender groups close to one-fourth of one percent of year-end outstandings and one-third of one percent of year earlier outstandings. However, it again was clear that a number of lenders were experiencing substantial repayment problems, as quite a few lenders reported foreclosures on at least one percent of their outstanding loans.

Accompanying the fact that most lenders had low foreclosure rates, net chargeoffs of delinquent loans were quite low at most lenders. The majority had chargeoffs equal to less than one-third of one percent of their loans outstanding. Once again, however, a few lenders fared considerably worse, as several reported chargeoffs equal to two percent or more of their average balances outstanding.

For the most part, net chargeoffs were very close to gross chargeoffs, as reported recoveries most commonly ranged from 7 to 15 percent of gross chargeoffs. In one case, however, recoveries from charged-off loans in previous years exceeded 1981 chargeoffs.

Probably because chargeoff rates usually were low, most lenders held loss reserves equal to less than two percent of their balances outstanding.

The disparity between high delinquency, foreclosure, and chargeoff rates at a few lenders and the generally low median delinquency, foreclosure, and chargeoff rates suggests that second mortgage markets may be quite weak in some parts of the country. However, inadequate geographic information was obtained to determine where loss problems were most severe.

VII. A Concluding Note

The quality of data reported in this year's NSMA survey was generally higher than data reported previously. Thus, these statistics should provide a better insight into the characteristics of the newly emerging second mortgage markets than any previous studies. The reported data would be even more useful, however, if all NSMA members reported to the best of their ability on the questionnaire. In so doing, it would be most useful if they reported only data applicable to second mortgages whenever such data were requested. Finally, if individual firms kept separate data for each state in a manner that could be reported easily, in the future it might be useful to compile such information to determine if, indeed, certain parts of the country suffered more serious delinquency and loss problems than others. It also would be useful to obtain geographic data to determine if differences in loss rates could be related to differences in loan terms in different parts of the country.

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NATIONAL SECOND MORTGAGE ASSOCIATION

SECOND MORTGAGE STATISTICAL SURVEY FOR THE YEAR 1982

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Second Mortgage Survey, 1983

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Abstract:

This report analyzes the responses of National Second Mortgage Association (NSMA) members to requests for information on the association's annual questionnaire and membership application and renewal forms. The membership reports show that NSMA members held over \$18¼ billion in second mortgages outstanding at year-end 1982. Thus, growth in the second mortgage market continued. However, analysis of the more detailed data provided on the survey questionnaires shows that much of the second mortgage growth in 1982 resulted from the influence of new entrants in the market--and new members of the NSMA. Savings associations, commercial banks, and smaller commercial bank affiliates accounted for much of the growth, while a majority of independent consumer finance companies and large bank finance company affiliates made fewer second mortgage loans in 1982 than in 1981. The questionnaire data also provide useful insights into second mortgage loan flows; the average size of second mortgage loans; loan terms; loan delinquencies, losses and chargeoffs; and the profitability of second mortgage lending.

In general, in spite of the recession in 1982, the data indicate that losses on second mortgage lending are still quite low. Average foreclosures were under one-half of one percent. Furthermore, most lenders reported chargeoff rates below one-half of one percent and total delinquen-

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cies (of over 60 days) less than three percent. However, some lenders experienced serious loss and delinquency problems in 1982. Possibly as a result, second mortgage lending was not profitable for several lenders in 1982.

Nonetheless, low profits were the exception not the rule. Due to declining costs of funds and generally good interest returns, most lenders made adequate profits on their second mortgage lending in 1982. Furthermore, because loan origination and servicing fees supplemented lenders' interest income, some mortgage bankers, commercial banks, and other lenders reported excellent rates of return on equity from their mortgage lending operations in 1982.

Other key data show that most lenders expanded their second mortgage holdings only modestly in 1982. Growth in the average size of second mortgage loans continued during the year, but at a much lower rate than in the past. Furthermore, many lenders, particularly finance companies originated fewer second mortgages in 1982 than in 1981. The only lenders that generally originated more second mortgages in 1982 than in 1981 were depository institutions. Thus, growth in loans outstanding primarily reflected the fact that more new loans were made than were liquidated.

Cash liquidation rates averaged approximately 20% at many lenders, but were lower for some lenders--possibly because they made larger maturity loans. Unadjusted repayment rates were higher than 20% for institutions that refinanced a number of loans and for institutions that sold many loans in the secondary markets.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed tables (2A to 6B) to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, savings associations (including mutual savings banks), commercial banks, bank affiliated finance companies with large holdings of second mortgages, bank affiliated finance companies with smaller holdings of second mortgages, non-bank finance companies with large holdings of second mortgages, non-bank finance companies with smaller holdings of second mortgages, and "miscellaneous" respondents (which consisted of three industrial banks and one British finance company).

Second mortgage lending and foreclosure experience also varied widely across states. Table 7 summarizes interstate differences that could be determined from the available data.

Second Mortgage Survey, 1983

Richard L. Peterson*

I. Overview:

This survey is part of a continuing series of surveys that the National Second Mortgage Association has conducted of its members in order to obtain as much information as possible about the nature of the second mortgage market. The first survey was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to conduct surveys of second mortgage lenders in 1979, 1980 and 1981. These were published by the Credit Research Center as Working Papers No. 33, 39, and 42---which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center, of Purdue University. The 1982 survey was also prepared by the present author. Additional copies of the 1982 survey are available for $10 each (with no postage charge) from Texas Tech University's Institute for Banking and Financial Studies, Lubbock, Texas, 79409. The present survey, as was the case in years past, has been prepared for initial distribution by the National Second Mortgage Association to its members.

The data analyzed in this report were obtained from two sources. First, NSMA members reported limited data on their membership application and renewal forms on loan volume, outstandings, and foreclosures. Those data were analyzed to determine the size of the market covered by NSMA members and the overall incidence of foreclosure (See Table 1). The figures presented in Table 1 show that NSMA members held 1 1/3 million second mortgages worth \$18¼ billion at year-end 1982, (up by 200 thousand mortgages and \$3 billion from a year earlier) and originated 518 thousand mortgages worth nearly \$8 billion in 1982 (up from 400 thousand loans worth \$6½ billion dollars in 1981). The average size of second mortgages outstanding grew very little, to \$13,876 in 1982, in large part because the average size of new loan originations declined to \$15,307. While foreclosures were up, to 6,345 in 1982, they were still very low relative to the number of second mortgages outstanding at year-end. Foreclosures equalled only 0.48% of year-end outstandings in 1982, up only slightly from 0.43% of year-end outstandings in 1981.

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The data obtained on application and renewal forms was not very detailed and was not always accurate (for instance, average loan sizes calculated from data reported by some respondents equalled \$100). Thus, there is some imprecision in the numbers reported in Table 1--although, where possible, data were corrected (for instance, data reported in 1000's of dollars were multiplied by 1000 and other data were cross-checked with survey questionnaires on which respondents chose to identify themselves). Finally, because 25 more NSMA membership application and renewal forms were completed in 1983 than in 1982, much of the apparent growth in the second mortgage market represents growth in the number of respondents rather than growth in the second mortgage market, per se.

Because the data reported on NSMA membership application and renewal forms were not very precise and did not contain much detail, all NSMA members were mailed detailed surveys to complete and return anonymously to the author (a copy of the 1983 survey is contained in Appendix A). Most of the data reported in this paper were obtained from those questionnaires.

Table 1: Second Mortgage Experience of All NSMA Members, 1982

	1981	1982
Outstandings, Year-end		
Net Dollar Value	$15.24 billion	$18.26 billion
Originations, Full-year	1.13 million	1.32 million
Net Dollar Value	$ 6.51 billion	$ 7.93 billion
Number of Accounts	401 thousand	518 thousand
Average Size of		
Outstandings	$13,486	$13,876
Originations	$16,220	$15,307
Foreclosures, Full-year		
Total Number	4,876	6,345
As Percent of Number Outstanding	0.43%	0.48%
Number of Respondents providing data	75	100

This year a total of 71 NSMA members returned the survey questionnaires, of which 65 provided detailed data. The other six forms were returned by title search, insurance, or credit reporting firms that made no second mortgages. The data provided in the returned questionnaires provided valuable insights into the nature of growth in the second mortgage market; second mortgage loan refinancings, repayments, and cash flows; secondary market participation by NSMA members; second mortgage loan sizes and terms; second mortgage delinquency ratios, foreclosures, and chargeoffs; and factors affecting the profitability of second mortgage lending.

As was true in 1982, due to improvements in the questionnaire and considerable care taken by most, but not all, of the respondents, the data reported in the 1983 survey are far more comprehensive, and should be more reliable than data reported before 1982. The improvement in reporting accuracy was particularly marked this year, especially for large finance companies. Furthermore, due to changes made in the questionnaire in 1982 and in 1983, the data were improved five ways. First, reports based on 1977 and 1978 data were able to distinguish the behavior of second mortgage lenders only by the size of their second mortgage holdings, while reports using 1979 and 1981 data made more useful distinctions based on the type of lender. This year, as in 1982, this report provides separate information both by type of lender and, where sufficient numbers of lenders reported, by the size of their loan holdings. Second, delinquency rates reported before 1982 were in some cases suspect as not all lenders reported delinquency rates solely for second mortgage loans. In 1982 and 1983, however, all delinquency rate data reported in these tables apply only to second mortgage loan portfolios. Third, before 1982 it was not possible to distinguish accurately between net and gross loan extensions and outstandings. Consequently, cash flow and repayment rate data frequently could not be well estimated (as no actual cash flow occurs when "unearned finance charges" are booked as part of credit extensions). In 1982 and 1983, however, detailed data were available on the type of accounting used as well as on both net and gross flows. Consequently, better estimates could be made of loan repayment rates. Fourth, the 1982 and 1983 surveys provide a more detailed tabulation of sources of profits for second mortgage lenders of various types than has been previously available. Finally, this survey, for the first time, reports on state by state differences in NSMA members' mortgage growth and foreclosure experiences.

However, there were still some reporting problems associated with the survey. Many NSMA members did not report on the questionnaire. Consequently, the data reported on the questionnaire apply to only about two-thirds of the firms that reported second mortgage holdings on their membership application and renewal forms. Furthermore, only about half of those that did report on the survey were able to provide any statewide data--and few could provide detailed data on a state-by-state basis. Consequently, the reported data are not as comprehensive or detailed as might be desirable. Finally, a number of reporters were unable to isolate data relating solely to second mortgages from their other operating data. This caused numerous observations to be omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1983

NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1982, and to second mortgage transactions during 1982. Because of the distinct nature of different financial entries, data are reported separately for the following categories of reporters:

(1) Bank-affiliated finance companies holding over $100 million in outstanding second mortgages
(2) Bank-affiliated finance companies holding $100 million or less in outstanding second mortgages
(3) Other finance companies holding over $100 million in second mortgages
(4) Other finance companies holding $100 million or less in second mortgages
(5) Commercial banks
(6) Savings and loan associations and mutual savings banks
(7) Mortgage bankers and
(8) "Miscellaneous" lenders (three industrial banks and one British finance company).

II. Loan Volume and Outstandings - Summary Tabulations

Some key data reported in the survey questionnaire are summarized for each type of lender in Tables 2A and 2B. Much more detailed and analytical data follow in Tables 3A through 7.

In Tables 2A and 2B, summary data are compiled for each of the eight groups analyzed. The number of members in each group of respondents is given in parentheses at the top of each column.

In the top half of the table, for each item the sum of all data reported by all members in each group of respondents is reported in the table, and the number of respondents is recorded in parentheses beside each item. In the middle of the table, loan sizes are computed by taking the ratios of summary data reported in the top half of the table. The ratios' accuracy has been improved this year because aggregate ratios were computed only for groups of respondents that reported both items of information needed. For instance, because one small-holder finance company reported gross, not net, outstandings the number of loans it held was excluded before the average size of net loans outstanding was calculated. Thus, that calculation was based on data provided by 8, not 9, respondents.

The average loan size data reported in these tables differ from later figures in that they are averages for sums of all data reported by all respondents. All other data reported in the study refer to high, low, or median values of ratios applicable to each institution. In those computations, averages are obtained by giving each institution's statistics equal weight, while in the middle of Tables 2A and 2B, each loan, or each dollar of outstandings (as the case may be) is given equal weight.

Finally, at the bottom of Tables 2A and 2B, data are provided on loan refinancings and institutions' participation in the secondary mortgage markets. In each case separate ratios are computed for every survey respondent. The primary data reported are the median (midpoint) values reported by all respondents in each group. The number of respondents providing relevant data in each group is given in parentheses, next to the median value and the range of responses, from low to high, is given in parentheses below the median.

If an even number of respondents provided data, the median value is computed as a simple average of the two middle values reported. This procedure usually works reasonably well but, it can provide misleading results if, in fact, the two middle values are far apart--as is often the case when only two respondents provide suitable data. Nonetheless, because the median value usually is typical of numbers reported by all survey respondents (especially when more than two respondents report data) this data reporting procedure is used in all remaining tables in this report.

Key statistics reported in Table 2 indicate that the 65 survey respondents that provided data held over 1 million second mortgages worth nearly $14 billion at year-end 1982. Over 323,000 second mortgages worth more than $5¼ billion were originated by survey respondents in 1982. The average size of net second mortgage holdings was considerably larger at year-end 1982 than at year-end 1981 mainly because new loans continued to be larger than the average size of preexisting loans.

Refinancings in 1982 varied widely among second mortgage lenders, from zero to nearly three-quarters of loan originations. Refinancings were most common at non-bank finance companies, were somewhat less common at bank-affiliated finance companies, and were relatively rare or non-existent at mortgage bankers and depository institutions.

Secondary market activity was not widespread, but it was not insignificant either. Nine mortgage banks and eight other respondents reported servicing second mortgage loans for others. The number of loans serviced ranged from 0.05 to 100% of total mortgages held and serviced by different respondents and, at 48,687, equalled nearly five percent of the number of loans outstanding. The number of loans sold, reported as 22,213 by 17

Table 2A: Loan Volume and Outstandings, 1982

	Bank Affiliated Finance Companies		Other Finance Companies	
	Large Holders (10)	Small Holders (6)	Small Holders (10)	Large Holders (10)
Outstandings				
Number	235,389 (10)	12,732 (5)	23,626 (9)	523,579 (9)
Net Value	$3,171.5 mil. (10)	$131.6 mil. (5)	$214.9 mil. (9)	$6,675.1 mil. (9)
Originations				
Number	87,259 (10)	5,510 (6)	9,612 (9)	163,155 (10)
Net Value	$1,278.5 mil. (10)	$ 67.0 mil. (6)	$779.6 mil. (8)	$2,345.7 mil. (10)
Serviced Loans				
Number	872 (1)	0	734 (1)	5,505 (3)
Net Value	$ 15.5 mil. (1)	0	$ 8.0 mil. (1)	$ 73.2 mil. (3)
Purchased Loans				
Number	29,828 (5)	82 (3)	340 (2)	5,948 (4)
Net Value	$ 206.3 mil. (4)	$ 0.9 mil. (3)	$ 4.6 mil. (2)	$ 151.9 mil. (6)
Loans Sold				
Number	930 (1)	428 (1)	920 (3)	5,056 (2)
Net Value	$ 20.0 mil. (1)	$ 5.2 mil. (1)	$ 9.8 mil. (3)	$ 57.4 mil. (3)
Average Size				
Net Outstandings	$13,473 (10)	$10,335 (5)	$ 9,095 (9)	$12,749 (9)
Serviced Loans	$17,793 (1)	0	$10,872 (2)	$13,290 (3)
New Loans	$15,810 (9)	$12,157 (6)	$ 9,668 (8)	$14,377 (10)
Loans Purchased	$11,579 (3)	$11,122 (3)	$13,506 (2)	$10,419 (4)
Loans Sold	$21,504 (1)	$12,144 (1)	$10,604 (3)	$11,177 (2)
Refinancings ($)				
% Net Extensions	6.7% (5)	32.1% (5)	44.6% (6)	28.06% (4)
(range)	(0 to 12.5%)	(15.4 to 43.0%)	(11.98 to 57.8%)	(0.7 to 74.3%)
Serviced Loans (#)				
% of loans serviced	4.84% (1)	0	48.3% (1)	3.17% (3)
and outstanding	(0(9) to 4.84%)	0	-----	(0.05 to 18.11%)
Purchased Loans (#)				
% of loans purchased	20.67% (5)	1.4% (3)	10.9% (2)	4.2% (4)
and originated	(3.92 to 48.23%)	(1.1 to 4.8%)	(2.5 to 19.2%)	(1.15 to 42.0%)
Loans Sold (#)				
% of loans sold	18.75% (1)	33.8% (1)	12.7% (3)	27.3% (2)
and originated	-----	-----	(8.5 to 172%)	(4.99 to 49.54%)

Table 2B: Loan Volume and Outstandings, 1982

	Mortgage Banks (16)	Commercial Banks (4)	Miscellaneous (4)	Savings Institutions (5)
Outstandings				
Number	19,551 (16/11)	155,782 (4)	43,011 (3)	39,830 (5)
Net Value	$318.2 mil. (9)	$2,388.5 mil. (4)	$200.2 mil. (3)	$783.6 mil. (5)
Originations				
Number	15,101 (16)	11,157 (4)	15,985 (4)	10,171 (3)
Net Value	$316.7 mil. (14)	$225.6 mil. (4)	$ 55.9 mil. gross + 47.8 mil. net	$220.8 mil. (3)
Serviced Loans				
Number	32,609 (9)	0	21 (1)	8,946 (2)
Net Value	$487.3 mil. (9)	0	$538,122 (1)	$187.0 mil. (2)
Purchased Loans				
Number	1,713 (5)	122 (1)	0	10,184 (2)
Net Value	$ 52.6 mil. (6)	$ 2.41 mil. (1)	0	$212.2 mil. (2)
Loans Sold				
Number	7,661 (8)	0	0	7,218 (2)
Net Value	$181.8 mil. (7)	0	0	$181.3 mil. (2)
Average Size				
Net Outstandings	$16,959 (9)	$15,332 (4)	($3,175 to 15,035)	$19,673 (5)
Serviced Loans	$14,402 (8)	0	$25,624 (1)	$20,904 (2)
New Loans	$22,148 (14)	$20,238 (4)	($3,471 to 37,567)	$21,709 (3)
Loans Purchased	$13,392 (5)	$19,785 (1)	-----	$20,834 (2)
Loans Sold	$23,870 (7)	0	-----	$25,118 (2)
Refinancings($)				
% Net Extensions	13.64%	3.07%	21.0% (2)	0% (3)
(range)	(1.59 to 21.12%)	(0(3) to 10%)	(17.3 to 24.6%)	(0(2) to 7.9%)
Serviced Loans(#)				
% of loans serviced	75.44% (9)	0	0.05%	47.5% (2)
and outstanding	(48.8 to 100%)	(0)	-----	(17.6 to 77.4%)
Purchased Loans(#)				
% of loans purchased	10.71% (5)	1.1% (4)	0	38.6% (2)
and originated	(1.2 to 29.1%)	(0(3) to 19.6%)	(0)	(24.2 to 53.0%)
Loans Sold(#)				
% of loans sold	100% (8)	0	0	68.6% (1)
and originated	(39.0 to 139.0%)	(0)	(0)	-----

respondents, equalled approximately four percent of the number of new loans originated in 1982. Unsurprisingly, mortgage bankers were the most active sellers of loans, but surprisingly, savings institutions were not far behind. Interestingly, more NSMA members reported purchasing loans than reported selling them. The number of loans purchased was reported as 48,213 by 20 respondents. That amount equalled 9% of the amount of loans originated in 1982. Second mortgage purchase activity was most prevalent at savings and loan associations and mortgage bankers. However, several finance companies purchased nearly half their new loan acquisitions.

III. Second Mortgage Growth and Flows

The amount of second mortgage loan holdings reported by NSMA members was 20% larger at year-end 1982 than at the end of 1981 ($18¼ billion versus $15¼ billion). However, such comparisons do not accurately measure growth because 25 more NSMA members reported on the membership application and renewal forms in 1983. In order to measure growth more precisely, the growth rates of individual firms were calculated by comparing 1982 data reported on each survey questionnaire to equivalent data reported for 1981. Those comparisons are reported in Tables 3A and 3B.

Tables 3A and 3B report separate data for each of the eight groups of respondents to the survey. For each item of information, a median (or middle) value is given. Following that, the number of respondents in each group which reported reasonable values is provided in parentheses. Finally, below that, also in parentheses, the range of reasonable responses is provided. The low value is on the left side of the parentheses.

Table 3A: Growth and Loan Flows, 1982

	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders (6)	Large Holders (10)	Small Holders (10)	Large Holders (10)
owth in:				
Net Outstandings($)	+17.8% (5) (-3.0 to 41.4%)	25.7% (9) (+0.4 to 139.6%)	-13.9% (6) (-23.7 to 15.2%)	+7.1% (9) (-9.6 to +50.5%)
Number of Outstandings	+11.6% (5) (-8.1 to 12.3%)	17.6% (9) (+0.3 to 68.5%)	+2.0% (7) (-36.4 to 10.5%)	+2.4% (9) (-13.6 to +37.5%)
Average Size of Net Outstandings	+5.5% (5) (+4.7 to 26.7%)	+4.8% (9) (-1.1 to 42.2%)	+2.8% (6) (-30.2 to 22.0%)	+6.2% (9) (-8.5 to +21.7%)
Net Originations ($)	+11.0% (6) (-21.9 to 24.1%)	-12.1% (8) (-44.6 to 229.1%)	-25.9% (2) (-70.7 to +2.5%)	-11.3% (10) (-66.2 to +45.7%)
Number of Originations	-1.3% (6) (-28.8 to 13.2%)	-8.1% (9) (-44.1 to 190.5%)	-25.8% (7) (-70.7 to -3.1%)	-13.6% (10) (-61.9 to +32.8%)
Average Size of Originations	+11.4% (6) (+1.8 to 18.0%)	+5.8% (8) (-42.8 to 20.2%)	+0.6% (6) (-27.4 to +57.4%)	+8.5% (10) (-16.4 to +20.5%)
Number Serviced	-----	384.4% (1)	-----	-----
Repayments				
Refinancings %, et Basis	32.1% (5) (15.4 to 43.0%)	6.7% (5) (0 to 12.5%)	44.6% (6) (12.0 to 57.8%)	28.1% (7) (0.7 to 74.3%)
Net Repayment Rate after purch. and sale	36.1% (5) (28.0 to 43.5%)	26.34% (9) (16.07 to 67.11%)	24.9% (5) (14.2 to 63.5%)	28.4% (9) (21.7 to 55.2%)
Repayment Rate, Net Basis	37.0% (5) (27.1 to 48.0%)	24.5% (9) (13.0 to 67.1%)	63.5% (5) (14.2 to 86.5%)	26.8% (9) (20.2 to 56.8%)
Repayment Rate, Gross Basis	37.0% (5) (30.2 to 50.2%)	27.5% (7) (14.8 to 60.9%)	48.5% (6) (27.3 to 97.2%)	29.1% (7) (24.0 to 57.9%)
Cash Repayments, Net Basis	22.1% (4) (20.3 to 28.7%)	24.4% (6) (19.5 to 64.6%)	18.0% (5) (14.2 to 78.8%)	16.9% (7) (1.5 to 44.4%)
Cash Repayment rate, adjusted for purch. & sale	21.2% (5) (16.8 to 30.6%)	20.12% (9) (16.07 to 59.66%)	15.6% (5) (14.2 to 43.4%)	21.0% (8) (4.5 to 24.9%)
Type of Originations				
% Purchase Money Loans	1% (2)	10% (7) (0 to 25%)	2% (3) (1 to 5%)	0% (4) (0(3) to 13.3%)
% Loans to Households (#)	100% (5)	98.5% (9) (63.1 to 100%)	100% (1) -----	100% (5) (99.8 to 100(4)%)
% Loans to Households ($)	100% (5)	99.2% (10) (58.3 to 100%)	100% (1) -----	100% (5) (99.7 to 100(4)%)

Table 3B: Growth and Loan Flows, 1982

	Mortgage Banks (16)	Commercial Banks (4)	Miscellaneous (4)	Savings Institutions (5)
Growth in:				
Net Outstandings($)	-0.9% (4) (-76.7 to 44.0%)	+26.2% (3) (1.8 to 46.4%)	+29.0% (2) (14.1 to 33.8%)	70.5% (5) (29.6 to 202.8%)
Number of Outstandings	+16.3% (5) (-74.3 to 110%)	+17.8% (3) (5.8 to 47.8%)	+5.1% (3) (-2.7 to 32.7%)	45.6% (4) (17.6 to 126.0%)
Average Size of Outstandings	-1.3% (4) (-12.4 to 2.3%)	-0.9% (3) (-3.8 to 47.1%)	+11.6% (2) (+8.2 to 15.0%)	+4.7% (4) (-5.5 to 13.3%)
Net Originations ($)	-1.0% (6) (-46.4 to 34.8%)	+9.6% (3) (-10.2 to 134.8%)	+38.5% (1) -----	-8.3% (2) (-48.1 to 31.4%)
Number of Originations	-3.8% (6) (-43.6 to 23.5%)	+8.9% (3) (-29.4 to 183.5%)	-0.7% (2) (-33.8 to 32.4%)	-7.7% (2) (-46.2 to 30.7%)
Average Size of Originations	+3.58% (6) (-14.5 to 33.6%)	+0.6% (3) (-17.2 to 27.1%)	+4.6% (1) -----	-1.5% (2) (-3.6 to 0.6%)
Number Serviced	+27.3% (2) (21.5 to 33.0%)	-----	0	+322% (1)
Repayments				
Refinancings %, Net Basis	0% (12) (0(8) to 21.1%)	0% (3) (0 to 10.3%)	21.0% (2) (+17.3 to 24.6%)	0% (2) (0 to 7.9%)
Net Repayment Rate After Purch. and Sale	29.0% (4) (23.7 to 38.2%)	25.44% (3) (7.48 to 26.64%)	40.9% (1) -----	17.0% (3) (5.3 to 17.8%)
Repayment Rate, Net Basis	156.5% (4) (27.2 to 257%)	26.0% (2) (25.4 to 26.6%)	20.8% (2) -----	10.4% (2) (2.9 to 17.8%)
Repayment Rate Gross Basis	128.9% (5) (30.3 to 180.5%)	(25.2 to 54.4%)	45.2% (2) (+43.2 to 47.2%)	----- -----
Cash Repayments, Net Basis	105.3% (4) (28.7 to 379.3%)	23.4% (2) (21.4 to 25.4%)	34.2% (1) -----	17.8% (1) -----
Cash Repayment Rate, net adjusted for purch. & sale	24.93% (4) (6.9 to 32.6%)	21.36% (3) (7.48 to 26.64%)	----- -----	14.0% (3) (5.3 to 17.8%)
Type of Originations				
% Purchase Money Loans	5% (11) (0(2) to 20%)	0.5% (2) (0 to 1%)	----- -----	10% (4) (5 to 40%)
% Loans to Households (#)	100% (10) (79.2 to 100(7))	91.4% (2) (82.8 to 100%)	100% (1) -----	100% (3) -----
% Loans to Households ($)	100% (10) (79.3 to 100(7))	86.9% (2) (73.7 to 100%)	100% (1) -----	100% (3) -----

The data reported in Tables 3A and 3B indicate that respondents reported a wide variety of growth experience in 1982. While loan outstandings grew sharply at most commercial banks and savings associations, numerous finance companies and mortgage banks reported declines in second mortgage holdings. Median growth rates in outstandings ranged from -13.9% to +25.7% at finance companies and mortgage banks, and from +26.2% to +70.5% at other lenders. Growth rates at most lenders were not strongly affected by growth in the average size of loans held as average loans sizes typically grew by only a small amount.

Growth in the rate of loan originations was negative at most lenders. Only commercial banks had a positive median growth rate for both the number and amount of second mortgage originations. While the average size of net originations grew by a few percent at most lenders, because of the decline in the number of new loans originated, the dollar value of net originations actually fell from 1981 to 1982 for most respondents.

Cash repayment rates on second mortgage loans, when adjusted for purchases and sales and refinancings, averaged approximately 20% at most lenders. They were somewhat lower at savings institutions and somewhat higher at mortgage banks. Repayment rates unadjusted for the effects of refinancings were considerably higher than cash repayment rates at finance companies, since finance companies generally had a substantial number of refinancings. Repayment rates unadjusted for purchases and sales were substantially higher than adjusted repayment rates for mortgage banks, due to extensive participation of mortgage banks in the secondary mortgage markets.

Repayment rates measure scheduled amortization, prepayments, and

Table 4A: Loan Sizes and Terms, 1982

	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders	Large Holders	Small Holders	Large Holders
Average Loan Sizes	(6)	(10)	(10)	(10)
Net Outstandings	$9,463 (6) (8,754 to 16,726)	$13,789 (10) (8,513 to 27,608)	$7,723 (8) (5,009 to 50,914)	$13,100 (9) (7,873 to 14,515)
New Originations, Net	$11,745 (6) (7,966 to 21,197)	$17,688 (9) (9,837 to 28,825)	$10,941 (8) (6,747 to 54,363)	$15,545 (10) (10,917 to 49,328)
Loans to Households	$11,433 (5) (8,439 to 13,049)	$18,047 (9) (11,550 to 57,524)	$19,905 (1) -----	$12,880 (5) (10,761 to 15,711)
Loans to Business	-----(0) -----	$68,470 (5) (15,284 to 92,147)	----- -----	$131,741 (1) -----
Serviced Loans, Net	-----(0) -----	$17,793 (1) -----	$10,972 (1) -----	$13,114 (3) (13,050 to 29,600)
Loans Purchased, Net	$9,700 (3) (9,420 to 19,559)	$11,341 (3) (2,523 to 40,330)	$13,137 (2) (12,389 to 13,884)	$10,383 (4) (3,697 to 21,445)
Loans Sold, Net	$12,144 (1) -----	$21,504 (1) -----	$11,123 (3) (6,304 to 21,371)	$10,691 (2) (7,879 to 13,503)
Loan Terms				
Average Maturity	78 mo. (3) (72 to 85 mo.)	115.5 mo. (8) (60 to 180 mo.)	82.5 mo. (4) (68 to 120 mo.)	98.9 mo. (8) (24 to 140 mo.)
Loan to Value Ratio (Maximum)	77.5% (4) (75 to 80%)	80% (9) (60 to 90%)	80% (5) (80 to 85%)	80% (8) (75 to 90%)
Loan to Equity Ratio (Average)	72.5% (2) (70 to 75%)	75% (6) (70 to 80%)	70% (4) (64.45 to 80%)	68.5% (4) (45 to 80%)

Table 4B: Loan sizes and Terms, 1982

	Mortgage Bankers	Commercial Banks	Miscellaneous	Savings Institutions
Average Loan Sizes	(16)	(4)	(4)	(5)
Net Outstandings	$20,183 (8) (9,168 to 32,360)	$16,691 (4) (9,802 to 29,278)	$9,105 (2) (3,175 to 15,035)	$17,247 (5) (10,102 to 39,679)
New Originations, Net	$20,988 (14) (5,242 to 60,000)	$23,881 (4) (14,365 to 30,650)	$20,519 (2) (3,471 to 37,567)	$18,349 (3) (15,424 to 22,679)
Loans to Households	$15,568 (9) (5,038 to 60,000)	$41,523 (2) (19,269 to 63,776)	$3,018 (1) -----	$17,289 (3) (15,463 to 22,908)
Loans to Business	$12,410 (3) (8600 to 15,464)	$33,000 (1) -----	----- -----	-----(0) -----
Serviced Loans, Net	$21,226 (7) (3,963 to 39,843)	----- -----	$25,625 (1) -----	$28,242 (2) (16,558 to 39,925)
Loans Purchased, Net	$15,414 (5) (7,712 to 77,940)	$19,785 (1) -----	----- -----	$20,287 (2) (19,696 to 20,878)
Loans Sold, Net	$29,417 (7) (13,218 to 60,000)	-----	-----	$31,000 (2) (22,001 to 40,000)
Loan Terms				
Average Maturity	120 mo. (13) (37 to 180 mo.)	165 mo. (3) (48 to 180 mo.)	66 mo. (1)	79.6 mo. (4) (36 to 100 mo.)
Loan to Value Ratio (Maximum)	80% (13) (75 to 95%)	75% (3) (75 to 80%)	90% (1)	75% (5) (69.77 to 85%)
Loan to Equity Ratio (Average)	72% (10) (65 to 78%)	65% (3) (65 to 80%)	33% (1)	67.17% (4) (61 to 80%)

renewals expressed as a percentage of average balances outstanding. Cash repayment rates are calculated similarly except they excluded renewals--since no cash need change hands in that case. Repayment rates were adjusted for purchases and sales by calculating repayment rates as (Extensions + Outstandings at end of previous year + Purchases - Sales - Outstandings at end of current year)/Average Outstandings in 1982.

Median repayment rates on a net basis were generally between 30% and 40% of average outstandings in 1981 and the median repayment rate reported for all lenders in 1980 was 44.8 %.[1] After refinancings (which accounted for 10 to 40% of most finance company loan originations) and purchases and sales were taken into account, cash repayment rates at most lenders most commonly ranged from 10% to 30% in 1982, which was somewhat lower than repayment rates reported in recent years. Seemingly, longer loan maturities have slowed scheduled repayments of principle and financial difficulty reduced prepayments unassociated with refinancing.

The final data reported in Tables 3A and 3B indicate that, as was true in previous years, the vast majority of respondents rarely made second mortgages to finance either business activities or a consumer's acquisition of a new house.

IV. Loan Sizes and Terms

As shown in Tables 4A and 4B, the average size of second mortgage loans held and made varied substantially by the type and size of lender. Finance companies with relatively small second mortgage holdings typically held and made much smaller loans than either larger holders of second mortgages or other types of financial institutions. In particular, median responses indicate that the typical "small" finance company had an average new loan size of $10,941 if it were not affiliated with a bank and $11,433 if it were affiliated with a bank. In contrast, finance companies that were "larger" holders had median new loan sizes of $15,545 for those not affiliated with banks and $17,688 for those affiliated with banks. Other institutions had median new loan sizes that ranged from $18,349 at reporting savings associations to $23,881 at commercial banks.

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[1] See Richard L. Peterson, Marc Van Doorne and Margaret Woo, "Second Mortgage Survey, 1981," Credit Research Center, Working Paper No. 42, Purdue University, 1982.

Second mortgage loans made to business often were substantially larger than those made to households. The average size of business loans ranged up to $131,741 at the firm that made the largest second mortgage loans to business.

The average size of loans serviced, purchased, and sold varied widely among respondents. Probably different respondents specialized in different types of markets--such as purchasing, selling, or servicing small consumer loans (such as home improvement loans), large home purchase loans, or business loans.

The average maturity of second mortgages also varied widely-- from a minimum of 24 months to a maximum of 180 months. Most commonly, second mortgage loans seemed to have maturities of six to ten years--with many made as short as 5 years and some as long as ten to fifteen years.

Maximum loan to value ratios ranged from 60% to 90%, with most lenders using a 75% or 80% requirement. Loan to equity ratios were lower than loan to value ratios because preexisting (first) mortgages had prior claim on the value of the property. Reported loan to equity ratios ranged from 33% to 80% with most between 65% and 75%.

Overall, loan terms appeared to have changed very little in the last few years. While average loan sizes often were slightly larger, typical loan maturities and loan-to-value ratio requirements appeared to be little changed. However, because some tightening of loan terms occurred in 1980, loan terms in 1982 (particularly loan-to-value ratios) probably were slightly more restrictive than they were before 1980.

V. Profitability of Second Mortgage Lending

Tables 5A, 5B, 5C, and 5D summarize the data relating to the profitability of second mortgage lending. Because many respondents were not able to provide the requested information for second mortgage holdings, *per se*, they were asked to provide similar information for their full portfolio. This procedure had several advantages. First, some key ratios, such as costs of borrowed funds and debt-to-equity ratios probably are most appropriate when they are measured for the full portfolio. Second, for those institutions that could provide independent data for second mortgages and their full portfolios, it allows the relative levels of interest yields, profitability, and non-interest revenue sources (such as origination fees, service charges, and insurance) to be compared.

Overall, the data indicate that second mortgage lending generally returned to profitability in 1982. While a few repondents still reported losses, most reported profitable operations in 1982. Thus, median pretax

Table 5A: Profitability Factors

	Bank Affiliated Finance Companies			
	Large Holders (10)		Small Holders (6)	
Debt Ratios	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Interest Paid/ Average Debt	12.05% (3) (11.25 to 12.68%)	12.50% (8) (11.32 to 12.91%)	12.6% (3) (12.2 to 13.5%)	12.7% (6) (12.2 to 13.8%)
Debt/Equity Ratio	5.49 (2) (4.77 to 14.34)	5.35 (9) (4.05 to 14.34)	9.7 (3) (6.0 to 10.4)	5.3 (6) (4.2 to 10.4)
Debt/Average Receivables	89.2% (4) (81.2 to 95.8%)	82.1% (9) (64.9 to 97.1%)	86.9% (3) (85.0 to 102.7%)	82.8% (5) (76.9 to 85.4%)
Returns				
Gross Returns/ Avg. Receivables	19.79% (4) (14.22 to 24.72%)	21.85% (9) (16.14 to 25.36%)	19.3% (3) (18.1 to 22.0%)	24.2% (5) (18.9 to 30.0%)
Interest Returns/ Avg. Receivables	19.98% (5) (13.84 to 22.08%)	18.62% (8) (14.38 to 24.03%)	18.0% (3) (17.9 to 21.5%)	20.0% (5) (16.3 to 22.6%)
Interest Returns/ Gross Returns	98.1% (4) (81.5 to 100%)	89.1% (8) (77.5 to 97.2%)	97.7% (3) (93.3 to 98.5%)	82.8% (6) (65.2 to 86.2%)
Service Fee/ Gross Returns	0 -----	4.90% (1) -----	0% (3) (0 to 1.8%)	0% (6) (0 to 0.8%)
Origination Fee/ Gross Returns	3.50% (2) (1.53 to 5.48%)	4.09% (3) (2.28 to 5.48%)	1.5% (3) (0 to 2.8%)	0.3% (6) (0 to 0.7%)
Broker Fee/ Gross Returns	0 -----	7.43% (1) -----	0 -----	0 -----
Insurance Fee/ Gross Returns	1.13% (3) (1.11 to 7.47%)	5.37% (9) (0.16 to 11.41%)	0% (3) (0 to 4.5%)	13.95% (6) (9.5 to 35.2%)
Pretax Profits/ Gross Returns	17.45% (3) (13.82 ~~to 18~~.20%)	11.16% (9) (9.50 to 24.90%)	7.2% (3) (1.8 to 26.0%)	15.2% (5) (6.7 to 18.9%)
Pretax Profits/ Equity	26.53% (3) (20.70 to 30.08%)	17.87% (9) (9.71 to 39.50%)	11.2% (3) (3.3 to 56.1%)	20.9% (5) (11.2 to 35.1%)
Pretax Profits/ Avg. Receivables	3.53% (3) (1.96 to 4.50%)	2.73% (9) (1.60 to 5.76%)	1.6% (3) (0.3 to 5.0%)	3.8% (5) (1.6 to 5.0%)
Fees				
Origination Fee/ Originations	2.11% (2) (1.32 to 2.91%)	----- -----	0.6% (3) (0 to 1.3%)	----- -----
Broker Fee/ Originations	0	----- -----	0 -----	----- -----
Insurance Fee/ Originations	0.98% (3) (0.55 to 3.97%)	----- -----	0% (3) (0 to 1.9%)	----- -----
Total Fees/ Gross Income	2.66% (3) (1.11 to 18.54%)	----- -----	2.3% (3) (1.5 to 6.7%)	17.2% (6) (13.7 to 35.2%)

Table 5B: Profitability Factors

	Other Finance Companies			
	Large Holders (10)		Small Holders (10)	
Debt Ratios	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Interest Expense/ Average Debt	11.25% (3) (8.59 to 12.92%)	11.76% (9) (8.59 to 26.40%)	----- -----	14.51% (4) (5.79 to 22.4%)
Debt/Equity Ratio	5.61 (2) (3.50 to 7.72)	5.50 (8) (0.12 to 12.30)	----- -----	3.68 (2) (2.84 to 4.52)
Debt/Average Receivables	51.05% (2) (9.25 to 92.84%)	86.63% (6) (2.9 to 103%)	----- -----	
Returns				
Gross Returns/ Avg. Receivables	17.79% (2) (17.47 to 18.10%)	19.0% (5) (15.86 to 45.4%)	20.1% (1) -----	24.30% (5) (19.71 to 29.87%)
Interest Returns/ Avg. Receivables	17.58% (4) (16.49 to 22.85%)	19.13% (6) (15.86 to 22.09%)	18.42% (4) (17.88 to 19.61%)	22.04% (5) (15.19 to 23.51%)
Interest Returns/ Gross Returns	98.9% (2) (97.8 to 100%)	98.5% (8) (46.2 to 100%)	95.27% (2) (91.63 to 98.90%)	81.32% (5) (77.05 to 95.80%)
Service Fee/ Gross Returns	1.14% (1)	0 (8) (0(7) to 1.14%)	0 -----	0 -----
Origination Fee/ Gross Returns	0.14% (1)	0 (8) (0(6) to 1.63%)	2.76% (2) -----	0.43% (1) -----
Broker Fee/ Gross Returns	0 -----	0 (8) (0(7) to 0.16%)	0 -----	0 -----
Insurance Fee/ Gross Returns	0.46% (1)	1.48% (6) (10.09 to 33.5%)	0 -----	16.0% (5) (4.20 to 22.52%)
Pretax Profits/ Gross Returns	----- -----	10.3% (8) (-2.1 to 25.1%)	47.93% (1) -----	
Pretax Profits/ Equity	4.33% (1)	11.1% (9) (-1.0 to 22.8%)	16.62% (1) -----	10.71% (5) (6.44 to 14.81%)
Pretax Profits/ Avg. Receivables	0.52% (1)	2.0% (8) (0.00 to 18.47%)	9.64% (1) (1.66 to 3.52%)	2.14% (5) (1.66 to 3.52%)
Fees				
Origination Fee/ Originations	2.02% (2) (10.04 to 3.99%)	----- -----	4.62% (2) (3.07 to 6.18%)	----- -----
Broker Fee/ Originations	0.04% (1) -----	----- -----	0 -----	----- -----
Insurance Fee/ Originations	0.20% (2) (0.14 to 0.26%)	----- -----	0 -----	----- -----
Total Fees/ Gross Incomes	2.23% (1) -----	2.19% (7) (0.09 to 36.02%)	2.76% (2) (1.06 to 4.47%)	18.68% (5) (4.20 to 22.95%)

Table 5C: Profitability Factors, 1982

	Commercial Banks (4)		Savings Institutions (5)	
	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Debt Ratios				
Interest Expense/ Average Debt	-----	3.85% (1)	9.55% (1)	9.55% (1)
Debt/Equity Ratio	-----	-----	4.58% (1)	4.58% (1)
Debt/Average Receivables	97.6% (1)	90.9% (1)	0.01% (1)	0.002% (1)
Returns				
Gross Returns/ Avg. Receivables	19.0% (1)	15.3% (1)	2.0% (1)	-----
Interest Returns/ Avg. Receivables	17.6% (1)	14.5% (1)	----- -----	----- -----
Interest Returns/ Gross Returns	92.7% (1)	94.8% (1)	----- -----	----- -----
Service Fee/ Gross Returns	1.8% (1)	1.4% (1)	63.3% (1) -----	----- -----
Origination Fee/ Gross Returns	4.9% (1)	3.9% (1)	35.8% (1)	----- -----
Broker Fee/ Gross Returns	-----	-----	----- -----	----- -----
Insurance Fee/ Gross Returns	-----	-----	0.4% (1) -----	----- -----
Pretax Profits/ Gross Returns	-----	77.1%	-3.56% (1) -----	----- -----
Pretax Profits/ Equity	-----	-----	-31.3% (1) -----	----- -----
Pretax Profits/ Avg. Receivables	-----	11.82%	-0.07% (1)	----- -----
Fees				
Origination Fee/ Originations	2.45%	----- -----	2.26% (1) -----	----- -----
Broker Fee/ Originations	----- -----	----- -----	0 -----	----- -----
Insurance Fee/ Originations	----- -----	----- -----	0.02% (1) -----	----- -----
Total Fees/ Gross Income	7.33%	5.17%	100% (1)	-----

Table 5D: Profitability Factors, 1982

	Miscellaneous (4)		Mortgage Bankers (16)	
	Seconds Only	Full Portfolio	Seconds Only	Full Portfolios
Debt Ratios				
Interest Expense/ Average Debt	12.2% (1) -----	12.6% (2) (12.2 to 13.1%)	28.03% (2) (20.99 to 35.07%)	16.7% (8) (11.91 to 35.07%)
Debt/Equity Ratio	6.20 (1) -----	5.39 (2) (4.59 to 6.20%)	5.67 (2) (1.14 to 10.21%)	4.56 (7) (1.14 to 20.65%)
Debt/Average Receivables	34.8% (1) -----	147.5% (2) (68.7 to 226.3%)	98.0% (2) (95.99 to 100%)	88.0% (7) (5.9 to 231%)
Returns				
Gross Returns/ Avg. Receivables	----- -----	34.6% (2) (22.1 to 47.2%)	39.35% (1) -----	29.64% (7) (1.67 to 71.8%)
Interest Returns/ Avg. Receivables	----- -----	32.0% (2) (21.6 to 42.5%)	31.68% (2) (29.34 to 34.02%)	23.4% (4) (19.62 to 25.83%)
Interest Returns/ Gross Returns	90.0% (1)	94.0% (2) (90.0 to 98.0%)	37.57% (3) (12.08 to 74.56%)	46.2% (7) (11.95 to 82.8%)
Service Fee/ Gross Returns	0 (1) -----	0 (2) -----	17.1% (2) (12.08 to 22.1%)	7.16% (5) (0.8 to 21.9%)
Origination Fee/ Gross Returns	0 (1) -----	0 (2) -----	34.3% (3) (15.09 to 85.9%)	46.0% (6) (0.9 to 72.82%)
Broker Fee/ Gross Returns	0 (1) -----	0 (2) -----	0 -----	9.2% (6) (0 to 73.4%)
Insurance Fee/ Gross Returns	10.0% (1) -----	5.0% (2) (0 to 10.0%)	0.41% (3) (0 to 4.97%)	4.84% (7) (0 to 40.8%)
Pretax Profits/ Gross Returns	10.6% (1) -----	14.7% (2) (10.6 to 18.8%)	22.48% (3) (18.69 to 30.66%)	11.93% (8) (-1.00 to 30.68%)
Pretax Profits/ Equity	13.7% (1) -----	20.7% (2) (13.7 to 27.7%)	75.09% (3) (14.35 to 107.0%)	21.74% (8) (-17.12 to 79.89%)
Pretax Profits/ Avg. Receivables	7.7% (1) -----	4.6% (2) (4.1 to 5.0%)	9.70% (2) (7.35 to 12.05%)	21.91% (8) (-0.72% to 29.0%)
Fees				
Origination Fee/ Originations	----- -----	----- -----	3.48% (3) (1.00 to 4.92%)	----- -----
Broker Fee/ Originations	----- -----	----- -----	3.94% (1) -----	----- -----
Insurance Fee/ Originations	----- -----	----- -----	0.15% (3) (0.13 to 0.66%)	----- -----
Total Fees/ Gross Income	10.0% (1) -----	6.0% (2) (2.0 to 10.0%)	62.71% (3) (25.44 to 100%)	58.0% (8) (25.44 to 88.05%)

returns on equity were 10% or more (often substantially more) for most lender groups.

A major factor contributing to the improved profit picture was a sharp reduction in the cost of borrowed funds from 1981, which generally fell to the 12 or 13% range from 14% or more in 1981 (See the Appendix for 1981 data). In addition, both median gross revenues and median interest returns rose relative to average receivables for bank-affiliated finance companies and remained relatively high, at 17.6% or more, for all other lender groups. Thus, in general, second mortgage revenues stayed high or increased while financing costs fell during 1982.

Median interest returns received on second mortgages ranged from 17.6% to 19.98 percent of average second mortgage receivables at commercial banks and finance companies to more than 30% at a mortgage bank. While a few respondents reported interest returns as low as 14%, many others reported returns in the 18% to 24% range.

Gross revenues were even higher relative to average second mortgages receivables than interest returns. That was so because many lenders were able to augment their gross revenues by charging mortgage origination fees or selling credit insurance. Consequently, interest returns usually accounted for 90 to 98% of gross returns on second mortgages. While this percentage was higher for second mortgage lending than it was for lender's full portfolios, it shows that non-interest sources of revenue were often important.

Overall, most second mortgage lenders increased their gross returns on second mortgages in 1982. As previously noted, rising interest returns were the most important factor. However, insurance fees added approximately 1% to the revenues of many finance companies. Furthermore, origination fees added several percentage points to the revenues of most firms and contributed a substantial share (over 34%) of the revenues earned by mortgage bankers. For most lenders, origination fees averaged between 2% and 10% of originations and total fees contributed 2% to 10% of gross income. However, because they hold very few of the loans they originate, total fees accounted for most of the gross income earned by mortgage bankers.

VI. Loan Delinquencies, Chargeoffs and Foreclosures

The data reported on loan delinquencies in Tables 6A and 6B summarize key data on delinquencies, foreclosures, and losses. They median delinquency data, in general, were somewhat higher in 1982 than comparable data in 1981. The increase in median delinquency rates for 60 days or more ranged from a 0.7% decline at savings associations to a 1.1% increase at bank-affiliated finance companies and savings associations. Total 60 day and over delinquency rates for second mortgages generally averaged between 2 and 3% in 1982 (except for commercial banks, savings associations, and large individual finance companies) and averaged below 2% in 1981.

While most lenders reported relatively low delinquency rates, some lenders had far worse experience--with reported delinquency rates of up to 9 or 10% for several finance companies and up to 30 or 40% for several mortgage banks. A substantial number of delinquencies were relatively long-term as many lenders reported 90 to 180 day delinquencies of one-half percent or more, and a number reported substantial delinquencies more than

Table 6A: Delinquencies, Foreclosures and Chargeoffs, 1982

Delinquencies(%)	Bank Affiliated Finance Companies		Other Finance Companies	
	Small Holders	Large Holders	Small Holders	Large Holders
60 days +	2.9% (3) (0.8 to 4.4%)	2.4% (7) (0.62 to 3.72%)	2.93% (6) (1.0 to 9.2%)	1.61% (6) (0.8 to 10.3%)
60-90 days	.27% (3) (0.23 to 1.23%)	0.68% (7) (0.07 to 0.99%)	1.26% (5) (0.4 to 2.12%)	0.5% (5) (0.2 to 4.86%)
90-180 days	1.49% (3) (.42 to 1.67%)	0.8% (7) (0.55 to 1.14%)	1.59% (5) (0.5 to 3.6%)	0.5% (6) (0.2 to 5.44%)
180 days +	1.14% (3) (.15 to 1.49%)	0.73% (6) (0.2 to 2.0%)	0.96% (5) (0.1 to 4.0%)	0.4% (2) (0.3 to 0.5%)
Foreclosures (#)	106 (6)	821 (9)	131 (9)	1731 (8)
Amount ($)	$1,200,467 (6)	$33,674,353 (9)	$4,523,906	$35,349,322
As % of:				
Outstandings (#)	0.59% (5) (0.1 to 1.7%)	0.36% (9) (0.10 to 2.58%)	0.75% (7) (0.2 to 31.8%)	0.35% (6) (0 to 0.67%)
Year Earlier Outstandings (#)	0.66% (5) (0.1 to 1.9%)	0.45% (8) (0.18 to 2.80%)	0.77% (6) (0.22 to 1.63%)	0.33% (6) (0 to 0.77%)
Average Outstandings ($)	0.82% (6) (0.1 to 2.6%)	0.90% (8) (0.21 to 7.51%)	0.91% (5) (0.50 to 1.26%)	0.62% (8) (0 to 1.32%)
Year Earlier Outstandings ($)	0.90% (5) (0.1 to 3.0%)	1.03% (8) (0.38 to 7.91%)	0.68% (5) (0.44 to 1.43%)	0.74% (7) (0 to 1.28%)
Chargeoffs				
Gross Chargeoffs/ Average Outstandings	0.24% (6) (0 to 0.5%)	0.51% (8) (0.08 to 7.7%)	0.17% (6) (0 to 21.3%)	0.47% (10) (0 to 1.38%)
Net Chargeoffs/ Average Outstandings	0.22% (6) (0 to 0.5%)	0.37% (9) (0.06 to 6.2%)	0.38% (6) (0 to 16.1%)	0.43% (9) (0.03 to 1.12%)
Recoveries/Gross Chargeoffs	7.0% (4) (3.4 to 16.5%)	8.1% (9) (0 to 26.7%)	13.3% (7) (0 to 7.5%)	10.2% (8) (0 to 22.9%)
Reserves				
As % of Net Outstandings	1.66% (10) (0.75 to 5.7%)	1.66% (10) (0.75 to 5.7%)	2.53% (5) (0.37 to 3.68%)	1.44% (8) (.004 to 10.2%)
As % of Gross Outstandings	1.10% (9) (0.13 to 2.76%)	1.10% (9) (0.13 to 2.76%)	2.18% (5) (0.16 to 3.59%)	0.91% (7) (0.10 to 5.9%)
Delinquency Policy				
% payments required to keep current	50,90,95, 100 (6)	50,100(4)	75,80,100 (4)	50,90,100(8)
% payments required to "cure"	3,100(4)	2,100(3)	3, 100(3)	100 (6)

Table 6B: Delinquencies, Foreclosures and Chargeoffs, 1982

Delinquencies(%)	Commercial Banks (4)	Savings and Loans (5)	Miscellaneous (4)	Mortgage Banks (16)
60 days +	0.37% (2) (0.1 to 0.64%)	0.97% (4) (0 to 4.66%)	2.13% (2) (1.9 to 2.36%)	2.7% (7) (1.38 to 39%)
60-90 days	0.17% (2) (0.03 to 0.32%)	0.26% (4) (0 to 0.93%)	0.43% (2) (0.16 to 0.7%)	0.64% (6) (0.45 to 12%)
90-180 days	0.18% (2) (0.04 to 0.32%)	0.44% (4) (0 to 0.66%)	0.23% (2) (0.15 to 0.45%)	1.05% (6) (0.69 to 30.1%)
180 days +	0.02% (1)	1.63% (2) (0 to 3.26%)	1.20% (2) (0.75 to 1.7%)	0.88% (6) (0 to 12%)
Foreclosures (#) Amount ($)	6 (3) $248,079 (3)	100 (5) $17,809,897 (5)	262 (4) $2,969,204 (4)	592 (15) $4,926,367 (14)
As % of:				
Outstandings (#)	0.04% (1)	0.18% (5) (0 to 1.65%)	0.53% (3) (0.41 to 2.69%)	0.17% (13) (0(6) to 61.1%)
Year Earlier Outstandings (#)	0.04% (1)	0.15% (4) (0 to 2.84%)	0.51% (3) (0.48 to 2.83%)	1.86% (5) (0 to 16.27%)
Average Outstandings ($)	0.17% (1)	2.10% (5) (0 to 2.76%)	0.75% (3) (0.26 to 3.74%)	1.24% (6) (0 to 13.10%)
Year Earlier Outstandings ($)	0.19% (1)	2.83% (5) (0 to 5.05%)	2.44% (2) (0.87 to 4.01%)	6.27% (4) (0.59 to 13.87%)
Chargeoffs				
Gross Chargeoffs/ Average Outstandings	0.04% (1)	0.04% (5) (0(2) to 0.42%)	1.27% (2) (0.44 to 2.12%)	0.68% (6) (0(2) to 4.65%)
Net Chargeoffs/ Average Outstandings	0.03% (1)	0.04% (5) (0(2) to 0.42%)	1.04% (2) (0.44 to 1.64%)	0.5% (6) (0(3) to 2.85%)
Recoveries/Gross Chargeoffs	28.9% (1)	----- -----	11.2% (2) (0 to 22.3%)	18.33% (5) (0 to 40.4%)
Reserves				
As % of Net Outstandings	0.98% (1)	0.5% (3) (0.04 to 0.60%)	3.15% (1) -----	1.59% (5) (0.65 to 3.09%)
As % of Gross Outstandings	0.98% (1)	0.17% (2) (0.01 to 0.34%)	2.4% (2) (2.1 to 2.8%)	1.27% (6) (0.60 to 6.15%)
Delinquency Policy				
% payments required to keep current	100% (3)	100% (5)	100% (1)	50,100-5,100(7)
% payments required to "cure"	100% (2)	100% (3)	100% (1)	100-5,100(7)

180 days past due.

Delinquency policies were generally strict (see the bottom of Tables 6A and 6B). Most lenders required 100% payment for an account to remain current or become cured. A few allowed a borrower to miss a portion of one payment or allowed an account to be cured if it made 2 or 3 consecutive full payments.

In spite of the increase in delinquencies, as a general rule foreclosure rates increased only modestly. Median rates of foreclosure for most lender groups were close to one-third of one percent of year-end outstandings in 1982, up from one-quarter of one percent a year earlier. Based on year earlier outstandings, median delinquency rates rose only from 1/3 to 1/2 of one percent. However, it again was clear that several lenders were experiencing substantial repayment problems, as at least one lender in each group (except for independent finance companies) reported foreclosures equal to approximately two percent of its outstanding loans--and some finance companies and mortgage bankers reported far higher foreclosure rates.

Because most lenders had low foreclosure rates, net chargeoffs of delinquent loans were quite low at most lenders. Median net chargeoffs equalled less than one-half of one percent of their average outstanding loan balances in all except the miscellaneous lender group. Nonetheless, median chargeoffs were somewhat higher than a year earlier and once again a few lenders fared considerably worse, as several reported chargeoffs equal to two percent or more of their average balances outstanding.

For the most part, net chargeoffs were very close to gross chargeoffs, as reported recoveries most commonly ranged from 7 to 18 percent of gross chargeoffs. In one case, however, recoveries from charged-off loans in previous years equalled 75% of current chargeoffs, and in many cases, no recoveries were received at all.

Probably because chargeoff rates usually were low, most lenders held loss reserves equal to less than two percent of their balances outstanding.

The disparity between high delinquency, foreclosure, and chargeoff rates at a few lenders and the generally low median delinquency, foreclosure, and chargeoff rates suggests that second mortgage markets may be weaker in some parts of the country than others. For that reason, it is useful to look at comparative geographic data.

VII. State-Specific Data

Respondents to the 1983 NSMA survey were asked to provide data on their second mortgage outstandings, originations, and foreclosures by state. In addition, because state laws on foreclosure vary widely, respondents were asked to provide data on the resolution of their foreclosed second mortgages in each state. Many respondents were not able to provide part or all of the requested data on a state-by-state basis. Nonetheless, thirty-three respondents provided data on at least their loan outstandings and originations and about half of those respondents were also able to provide data on at least the total amount of their foreclosures in each state in 1982. As a general rule, finance companies provided the most complete data--possibly because the survey questions were similar to those used on the Robert Morris reporting form for finance companies.

Tables 7A to 7I present summaries of the data provided by survey respondents. The number of respondents for each item of information in each state is given in parentheses. The first four items were most frequently reported. They included data on outstandings, originations, the number of foreclosures, and (in most cases, the dollar value of foreclosures) in each state. While the fourth item asked for data on the value of property foreclosed, most respondents reported data on the value of second liens at that point on the questionnaire.

In addition to summary totals of the raw data, several key ratios were computed for each state. The first is the ratio of originations to outstandings (for all institutions that reported both numbers). That ratio reflects the rate of growth in second mortgages in each state (however, it can be biased upward somewhat in states where mortgage bankers are extremely active in originating and selling second mortgages). The ratio of originations to outstandings was highest in the states of Nevada, Minnesota, Alaska, Mississippi, Washington, Delaware and Oklahoma. In all those states new originations accounted for over half of year-end outstandings. Second mortgage growth was also rapid in Alabama, Colorado, Connecticut, Georgia, Florida, Illinois, Massachusetts, New Mexico, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Utah, Tennessee, Texas, Wisconsin, and Wyoming. In those states 1982 originations equalled between 40% and 50% of year-end outstandings.

The growth rate in second mortgage lending was lowest in Maine, California, Oregon, Kansas, and Iowa with 1982 originations below 30% of year-end outstandings in each of those states. New originations in Maine were virtually zero--probably because of the inhospitable environment for consumer finance companies in that state. Other jurisdictions with adverse regulatory environments (such as Arkansas, Vermont, and Washington, D.C.) reported no second mortgages outstandings at all.

The growth rate of second mortgage lending in California and Oregon was relatively slow--possibly because of second mortgage market saturation on the West coast and a depressed economy in Oregon in 1982. The California second mortgage market, which has existed for a long time, is more than twice as large as the second mortgage market in any other state and, consequently, is growing less rapidly.

The second set of ratios presented in the tables shows the ratio of foreclosures to year-end loan outstandings for firms that reported positive data for both items of information in that state. Those data show whether most firms had relatively low foreclosure rates or if some had a particularly bad experience in each state. As a general rule, reported foreclosure rates were very low (below 1% for all respondents) in the states of Connecticut, Hawaii, Maine, Maryland, Massachusetts, New Hampshire, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, and Wyoming. Reported foreclosure ratios were relatively high (from 3% to nearly 6% of year-end outstandings) for at least one respondent in the following states: California, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Nebraska, Nevada and Utah. While many firms did better than the firm with the highest foreclosure rate in many states where firms had foreclosure problems, the fact that at least one firm had serious difficulty shows that potential problems existed in that state.

An alternative measure of statewide variation in foreclosure rates could be the ratio of all reported foreclosures to all reported outstandings. Theoretically, this ratio is preferable to the ratios presented in that it takes account of firms that had zero foreclosures in each state. However, it would also be misleading as a number of firms that reported data only on their second mortgage outstandings indicated that state-by-state data on their foreclosures was unavailable, not that their foreclosures were nonexistent. Thus, this ratio was not presented here. If someone wishes to compute it for a particular state, he or she need only divide the data in line four (on the value of foreclosures) by the data on line 1 (on the value of second mortgages outstanding).

The final ratio presented shows the ratio of chargeoffs to foreclosures for firms that reported such information. Since only one to four firms reported such data in each state, the ratio may not be typical of the experience of all lenders. However, it can be used to indicate states in which at least some lenders had difficulty recovering their principal on bad loans. Chargeoffs were highest relative to the value of liens on liquidated properties in Illinois (where one lender either reported bad data or had a terribly high chargeoff rate), Virginia, Texas (where the homestead law restricts the ability of lenders to take a valid lien on second mortgages other than those used for home purchases or home improvements), Florida, Indiana, Washington, Mississippi, and Delaware. In most of those states, ratios of chargeoffs to liquidated liens ranged from 17 1/2% to well over 30%.

In most states, however, recoveries on liquidated properties equalled or nearly equalled the value of second liens. Consequently, chargeoffs were usually zero percent of liquidated loans and in most cases (Arizona and Georgia were minor exceptions) did not exceed 10% of the value of liquidated loans.

Table 7A: 1983 State-Related Data

Data (and Number of Respondents)	Alabama	Alaska	Arizona	California	Colorado	Connecticut
Outstanding Second Mortgages	$123.5M (7)	$2.1M (1)	$299.5M (11)	$2,015.4M (11)	$366.3M (11)	$70.4M (7)
Originations in 1982	$62.7M (8)	$1.3M (1)	$110.6M (11)	$494.9M (11)	$163.6M (11)	$30.5M (6)
Foreclosures in 1982 (#)	13 (2)	-----	40 (5)	582 (5)	71 (5)	3 (2)
Value of Property Foreclosed	$183,874 (2)	-----	$4,787,822 (6)	$23,233,206 (4)	$3,770,317 (6)	$29,542 (2)
Value of Second Liens	----- (1)	-----	$2,038,565 (3)	$2,200,246 (2)	$805,684 (3)	-----
Value of First Liens	----- (1)	-----	$999,764 (3)	$1,689.529 (2)	$520,581 (3)	-----
Number of Foreclosures Liquidated	2 (1)	-----	25 (4)	433 (3)	53 (4)	-----
Value of Liens Liquidated	$35,348 (1)	-----	$2,036,755 (4)	$17,192,518 (3)	$1,877,957 (4)	-----
Number of Properties Sold	2 (1)	-----	25 (4)	441 (3)	47 (4)	-----
Value of Properties Sold	$32,631 (1)	-----	$2,036,755 (4)	$15,939,053 (3)	$1,805,007 (4)	-----
Chargeoffs (#)	0 (1)	-----	19 (3)	65 (3)	16 (4)	-----
Chargeoffs (value)	$2,717 (1)	-----	$550,000 (3)	$1,519,015 (4)	$183,603 (4)	-----
Redemptions (#)	0 (1)	-----	0 (2)	1 (1)	0 (2)	-----
Redemptions (value)	0 (1)	-----	0 (2)	$35,000 (1)	0 (2)	-----
Ratios of						
Originations/Outstandings	47.55%	61.35% (11)	36.91% (11)	23.51% (11)	44.66% (11)	43.26% (6)
Foreclosures/Outstandings(%) (Low to High responses)	(0.70 to 1.46%)		(0.38,1.20,1.60, 2.00)	(0.33,0.37,1.10, 2.00,3.66)	(0,0,0.51,0.68, 1.15,5.21)	(0.15,0.28)
Chargeoffs/Value of Second Mortgages Liquidated	7.69%	-----	11.49%	8.83%	9.78%	NA

Table 7B: 1983 State-Related Data

Data (and Number of Respondents)	State Delaware	Florida	Georgia	Hawaii	Idaho	Illinois
Outstanding Second Mortgages	$23.4M (7)	$447.1M (14)	$185.3M (11)	$207.3M (5)	$52.9M (8)	$184.2M (9)
Originations in 1982	$11.8M (7)	$218.9M (15)	$81.6M (12)	$75.1M (5)	$18.9M (8)	$80.9M (9)
Foreclosures in 1982 (#)	1 (2)	33 (6)	17 (4)	1 (1)	16 (3)	36 (4)
Value of Property Foreclosed	$33,116 (1)	$3,069,707 (7)	$309,639 (4)	$8,889 (1)	$428,439 (3)	$17,559,982 (4)
Value of Second Liens	0 (1)	$577,355 (1)	$10,000 (2)	-----	-----	-----
Value of First Liens	0 (1)	$260,013 (1)	-----	-----	-----	-----
Number of Foreclosures Liquidated	1 (1)	24 (5)	7 (3)	-----	25 (2)	69 (3)
Value of Liens Liquidated	$33,116 (1)	$970,134 (5)	$162,731 (2)	-----	$571,853 (2)	$4,360,519 (3)
Number of Properties Sold	1 (1)	22 (5)	6 (2)	-----	22 (2)	69 (3)
Value of Properties Sold	$27,278 (1)	$914,544 (5)	$145,428 (2)	-----	$524,029 (2)	$97,987 (2)
Chargeoffs (#)	0 (1)	15 (4)	0 (1)	-----	3 (2)	36 (1)
Chargeoffs (value)	$5,838 (1)	$221,943 (5)	$17,303 (1)	-----	$47,824 (2)	$2,518,529 (2)
Redemptions (#)	0 (1)	0 (3)	0 (1)	-----	0	1 (1)
Redemptions (value)	0 (1)	0 (3)	0 (1)	-----	0	$10,476 (1)
Ratios of						
Originations/Outstandings	50.14% (7)	45.00% (14)	42.22% (11)	36.23% (5)	35.68% (8)	43.9% (9)
Foreclosures/Outstandings(%) (Low to High in responses)	(3.36%)	(0.18,0.99,1.21, 1.37,2.15,4.45)	(0.08,1.12,1.96)	(0.01%)	(1.10,2.62, 5.93)	(1.73,2.39, 4.59)
Chargeoffs/Value of Second Mortgages Liquidated	17.63%	22.88%	10.63%	-----	8.36%	57.76% (0,0,58.5)

Table 7C: 1983 State-Related Data

Data (and Number of Respondents)	State					
	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine
Outstanding Second Mortgages	$179.7M (10)	$44.1M (6)	$75.4M (6)	$58.4M (7)	$107.2M (9)	$3.2M (1)
Originations in 1982	$59.5M (9)	$13.1M (6)	$22.3M (6)	$22.6M (7)	$34.8M (9)	$0.03M (1)
Foreclosures in 1982 (#)	53 (4)	7 (2)	26 (2)	39 (2)	10 (2)	1 (1)
Value of Property Foreclosed	$1,324,660 (4)	$270,625 (2)	$532,546 (2)	$855,923 (2)	$207,275 (2)	$19,272 (1)
Value of Second Liens	$249,796 (2)	-----	-----	-----	-----	-----
Value of First Liens	$157,796 (2)	-----	-----	-----	-----	-----
Number of Foreclosures Liquidated	31 (3)	7 (1)	18 (1)	1 (1)	10 (1)	-----
Value of Liens Liquidated	$604,881 (3)	$212,510 (1)	$433,267 (1)	$11,552 (1)	$237,298 (1)	-----
Number of Properties Sold	28 (3)	7 (1)	17 (1)	1 (1)	9 (1)	-----
Value of Properties Sold	$802,630 (3)	$212,510 (1)	$426,842 (1)	$11,552 (1)	$228,294 (1)	-----
Chargeoffs (#)	14 (2)	0 (1)	1 (1)	-----	1	-----
Chargeoffs (value)	$125,503 (3)	0 (1)	$6,425 (1)	-----	$16,004 (2)	-----
Redemptions (#)	1 (1)	0 (1)	-----	-----	-----	-----
Redemptions (value)	$24,900 (1)	0 (1)	-----	-----	-----	-----
Ratios of						
Originations/Outstandings	33.12% (9)	29.64% (6)	29.62% (6)	38.72% (7)	32.49% (9)	0.81% (1)
Foreclosures/Outstandings(%) (Low to High in responses)	(0.75,1.30,1.82 2.16%)	(0.54,4.24%)	(0.71,0.87, 1.77%)	(1.74,2.76%)	(1.36%)	(0.61%)
Chargeoffs/Value of Second Mortgages Liquidated	20.75%	0%	1.48%	0%	6.74%	-----

Table 7D: 1983 State-Related Data

			State		
Data (and Number of Respondents)	Maryland	Massachusetts	Michigan	Minnesota	Mississippi
Outstanding Second Mortgages	$219.7M (7)	$103.7M (6)	$0.9M (1)	$36.0M (8)	$52.0M (5)
Originations in 1982	$76.4M (7)	$42.7M (6)	0 (1)	$27.5M (8)	$27.4M (5)
Foreclosures in 1982 (#)	6 (2)	2 (1)	-----	0 (0)	13 (2)
Value of Property Foreclosed	$77,830 (2)	$39,856 (1)	-----	-----	$177,410 (2)
Value of Second Liens	-----	-----	-----	-----	-----
Value of First Liens	-----	-----	-----	-----	-----
Number of Foreclosures Liquidated	1 (1)	1 (1)	-----	-----	3 (1)
Value of Liens Liquidated	$27,840 (1)	$13,169 (1)	-----	-----	$37,814 (1)
Number of Properties Sold	1 (1)	1 (1)	-----	-----	2 (1)
Value of Properties Sold	$27,840 (1)	$13,169 (1)	-----	-----	$31,032 (1)
Chargeoffs (#)	0	0	-----	-----	1 (1)
Chargeoffs (value)	0	0	-----	-----	$6,782 (1)
Redemptions (#)	-----	-----	-----	-----	0
Redemptions (value)	-----	-----	-----	-----	0
Ratios of					
Originations/Outstandings	34.79% (7)	41.20% (6)	0%	76.56% (8)	52.70% (5)
Foreclosures/Outstandings(%) (Low to High in responses)	(0.001,0.12%)	(0.31%)	-----	-----	(0.34,2.11%)
Chargeoffs/Value of Second Mortgages Liquidated	0%	0%	-----	-----	17.94%

Table 7E: 1983 State-Related Data

	State				
Data (and Number of Respondents)	Missouri	Montana	Nebraska	Nevada	New Hampshire
Outstanding Second Mortgages	$78.1M (5)	$27.9M (5)	$6.6M (4)	$22.1M (6)	$50.4M (6)
Originations in 1982	$25.6M (5)	$8.4M (5)	$2.6M (4)	$17.3M (6)	$15.8M (6)
Foreclosures in 1982 (#)	31 (1)	5 (2)	3 (1)	1 (1)	2 (2)
Value of Property Foreclosed	$814,350 (1)	$112,629 (2)	$57,605 (1)	$150,000 (1)	$42,264 (2)
Value of Second Liens	-----	-----	-----	$146,668 (1)	-----
Value of First Liens	-----	-----	-----	$97,828 (1)	-----
Number of Foreclosures Liquidated	25 (1)	1 (1)	1 (1)	-----	1 (1)
Value of Liens Liquidated	$709,753 (1)	$30,698 (1)	$21,109 (1)	-----	$25,810 (1)
Number of Properties Sold	25 (1)	1 (1)	1 (1)	-----	1 (1)
Value of Properties Sold	$709,753 (1)	$30,698 (1)	$21,109 (1)	-----	$25,810 (1)
Chargeoffs (#)	-----	-----	-----	-----	-----
Chargeoffs (value)	-----	-----	-----	-----	-----
Redemptions (#)	-----	-----	-----	-----	-----
Redemptions (value)	-----	-----	-----	-----	-----
Ratios of					
Originations/Outstandings	32.81% (5)	30.10% (5)	38.59% (4)	78.62% (6)	31.46% (6)
Foreclosures/Outstandings(%) (Low to High in responses)	(1.04,2.66%)	(0.34,0.99%)	(4.54%)	(5.76%)	(0.38,0.42%)
Chargeoffs/Value of Second Mortgages Liquidated	0%	0%	0%	-----	0%

Table 7F: 1983 State-Related Data

		State			
Data (and Number of Respondents)	New Jersey	New Mexico	New York	North Carolina	North Dakota
Outstanding Second Mortgages	$322.0M (8)	$35.8M (7)	$146.0M (7)	$289.4M (10)	$1.2M (2)
Originations in 1982	$119.3M (7)	$17.5M (7)	$65.7M (7)	$108.2M (10)	$0.6M (3)
Foreclosures in 1982 (#)	5 (2)	8 (2)	5 (1)	40 (5)	0
Value of Property Foreclosed	$449,936 (3)	$182,960 (2)	$188,054 (1)	$362,368 (5)	-----
Value of Second Liens	$449,936 (3)	$182,960 (2)	-----	-----	-----
Value of First Liens	0	-----	-----	-----	-----
Number of Foreclosures Liquidated	3 (1)	2 (1)	-----	21 (4)	-----
Value of Liens Liquidated	$56,952 (1)	$49,445 (1)	-----	$328,243 (4)	-----
Number of Properties Sold	3 (1)	2 (1)	-----	17 (4)	-----
Value of Properties Sold	$56,952 (1)	$49,445 (1)	-----	$266,876 (4)	-----
Chargeoffs (#)	-----	-----	-----	1 (1)	-----
Chargeoffs (value)	-----	-----	-----	$3,334 (1)	-----
Redemptions (#)	-----	-----	-----	-----	-----
Redemptions (value)	-----	-----	-----	-----	-----
Ratios of					
Originations/Outstandings	37.04% (7)	48.92% (7)	45.00% (7)	37.38% (10)	44.98% (2)
Foreclosures/Outstandings(%) (Low to High in responses)	(0.04,0.33,1.33%)	(0.49,2.70%)	(0.32%)	(0.24,0.37,0.84, 1.02,4.14%)	-----
Chargeoffs/Value of Second Mortgages Liquidated	0%	0%	-----	1.02%	-----

Table 7G: 1983 State-Related Data

	State				
Data (and Number of Respondents)	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island
Outstanding Second Mortgages	$359.5M (6)	$129.8M (9)	$235.0M (10)	$417.4M (10)	$24.3M (6)
Originations in 1982	$166.5M (7)	$64.9M (8)	$64.3M (10)	$182.2M (10)	$10.7M (6)
Foreclosures in 1982 (#)	35 (1)	11 (2)	173 (3)	29 (4)	2 (1)
Value of Property Foreclosed	$964,383 (1)	$398,545 (2)	$1,228,206 (3)	$602,049 (4)	$15,340 (1)
Value of Second Liens	-----	$148,003 91)	-----	-----	-----
Value of First Liens	-----	$97,025 (1)	-----	$56,352	-----
Number of Foreclosures Liquidated	22 (1)	16 (1)	121 (2)	14 (3)	-----
Value of Liens Liquidated	$705,289 (1)	$401,804 (1)	$4,765,571 (2)	$291,195 (3)	-----
Number of Properties Sold	22 (1)	16 (1)	114 (2)	14 (3)	-----
Value of Properties Sold	$705,289 (1)	$401,804 (1)	$4,632,520 (2)	$291,195 (3)	-----
Chargeoffs (#)	-----	1 (1)	7 (1)	-----	-----
Chargeoffs (value)	-----	$5,742 (1)	$36,705 (2)	-----	-----
Redemptions (#)	-----	-----	-----	-----	-----
Redemptions (value)	-----	-----	-----	-----	-----
Ratios of					
Originations/Outstandings	45.52% (6)	50.00% (8)	27.34% (10)	43.64% (10)	44.20% (6)
Foreclosures/Outstandings(%) (Low to High in responses)	(0.62%)	(0.36,0.68%)	(0.52,1.90, 2.44,4.43%)	(0.17,0.24,0.34, 0.46%)	(0.06,0.36%)
Chargeoffs/Value of Second Mortgages Liquidated	0%	1.43%	7.70%	0%	-----

Table 7H: 1983 State-Related Data

Data (and Number of Respondents)	State				
	South Carolina	South Dakota	Tennessee	Texas	Utah
Outstanding Second Mortgages	$144.4M (10)	$48.4M (4)	$126.6M (7)	$24.7M (6)	$83.9M (9)
Originations in 1982	$59.8M (10)	$23.4M (4)	$59.1M (7)	$10.9M (4)	$31.6M (8)
Foreclosures in 1982 (#)	26 (4)	-----	15 (2)	3 (2)	31 (3)
Value of Property Foreclosed	$286,383 (3)	-----	$338,895 (2)	$99,210 (3)	$5,575,428 (4)
Value of Second Liens	$56,294 (1)	-----	0	$56,383 (1)	-----
Value of First Liens	$30,606 (1)	-----	0	$40,163 (1)	-----
Number of Foreclosures Liquidated	9 (3)	-----	3 (2)	4 (1)	16 (2)
Value of Liens Liquidated	$161,853 (3)	-----	$63,166 (2)	$213,660 (1)	$456,004 (2)
Number of Properties Sold	4 (3)	-----	3 (2)	3 (1)	15 (2)
Value of Properties Sold	$157,103 (3)	-----	$56,955 (2)	$158,549 (1)	$426,206 (2)
Chargeoffs (#)	4 (2)	-----	1 (2)	2 (2)	1 (2)
Chargeoffs (value)	$4,750 (2)	-----	$6,211 (2)	$58,611 (2)	$29,798 (2)
Redemptions (#)	-----	-----	-----	-----	-----
Redemptions (value)	-----	-----	-----	-----	-----
Ratios of					
Originations/Outstandings	41.97% (10)	48.38% (4)	46.47% (7)	44.24% (4)	37.61% (8)
Foreclosures/Outstandings(%) (Low to High in responses)	(0.60,0.63,1.87%)	-----	(0.38,2.00%)	(0.19,0.31, 0.40,0.69%)	(1.73,1.91, 5.22,12.76%)
Chargeoffs/Value of Second Mortgages Liquidated	2.93%	-----	9.83%	27.43%	6.53%

Table 7I: 1983 State-Related Data

			State		
Data (and Number of Respondents)	Virginia	Washington	W.Virginia	Wisconsin	Wyoming
Outstanding Second Mortgages	$290.6M (13)	$137.8M (10)	$37.5M (6)	$53.3M (7)	$15.1M (5)
Originations in 1982	$104.1M (12)	$76.4M (10)	$14.1M (6)	$22.5M (7)	$7.4M (5)
Foreclosures in 1982 (#)	8 (4)	16 (4)	10 (1)	12 (2)	1 (1)
Value of Property Foreclosed	$415,024 (4)	$236,623 (3)	$238,088 (2)	$342,619 (2)	$5,562 (1)
Value of Second Liens	$288,300 (2)	$267,160 (1)	-----	-----	-----
Value of First Liens	$201,621 (2)	-----	-----	-----	-----
Number of Foreclosures Liquidated	5 (1)	5 (2)	-----	6 (1)	-----
Value of Liens Liquidated	$65,782 (1)	$71,124 (2)	-----	$206,197 (2)	-----
Number of Properties Sold	4 (1)	4 (2)	-----	6 (1)	-----
Value of Properties Sold	$61,516 (1)	$57,123 (2)	-----	$195,197 (1)	-----
Chargeoffs (#)	2 (2)	1 (1)	-----	-----	-----
Chargeoffs (value)	$25,266 (2)	$14,001 (1)	-----	$6,000 (1)	-----
Redemptions (#)	-----	-----	-----	-----	-----
Redemptions (value)	-----	-----	-----	-----	-----
Ratios of					
Originations/Outstandings	35.83% (12)	55.45% (10)	37.51% (6)	42.26% (7)	49.12% (5)
Foreclosures/Outstandings(%) (Low to High in responses)	(0.05,0.32,0.68, 2.02%)	(0.49,1.16,1.98%)	(0.38,0.63,1.13%)	(0.85,2.62%)	(0.45%)
Chargeoffs/Value of Second Mortgages Liquidated	38.41%	19.69%	-----	2.98%	-----

While the state-by-state data provide useful insights that were not previously available, their production and compilation imposed a considerable reporting burden on respondents and as well as a significant data processing burden. Thus, in future surveys, it would be desirable to focus on only the most important state-specific information--the dollar value and number of outstandings, originations, foreclosures, and chargeoffs--and hope that a greater percentage of respondents can provide it.

VIII. Concluding Remarks

These tables present the data provided in the NSMA's 1983 membership survey. As a general rule, most members (particularly finance companies) provided excellent data this year. However, better statistics could be generated if more respondents provided data that were as complete as possible. In particular, accurate historical data are necessary so growth rates can be calculated on a comparable basis for all respondents. In addition, accurate data are needed on average balances outstanding so debt ratios, interest returns, and profit margins can be calculated properly. Furthermore, more complete data are needed on revenues associated with second mortgage operations, *per se*, so the profitability of second mortgage lending can be better assessed. Finally, more complete state-by-state data on both the number and net value of outstandings, originations, foreclosures, and chargeoffs would allow better data to be compiled on state-by-state variations in average loan sizes, loan growth, loan problems, and loan losses.

While improved data in some areas would be highly useful, the data provided in this report should provide generally accurate measures of second mortgage lenders' growth experience, cash flows, loan terms, chargeoffs, foreclosures, delinquency experiences, and overall costs of funds. Hopefully, this information, as well as the state-by-state data will be highly useful to all NSMA members and others who are interested in the second mortgage market.

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NATIONAL SECOND MORTGAGE ASSOCIATION

SECOND MORTGAGE STATISTICAL SURVEY FOR THE YEAR 1983

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Second Mortgage Survey, 1983

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Abstract:

This report analyzes the responses of National Second Mortgage Association (NSMA) members to requests for information on the association's annual questionnaire. Responses to the questionnaire which were received before Oct.1, 1984 are included in the statistical results presented here. While the survey does not cover all NSMA members it shows that the 58 respondents held nearly $17 billion in second mortgages outstanding at year-end 1983. They also show that strong growth in the second mortgage market continued in 1983, as the typical respondent reported a growth rate of 17% in year-end net outstandings and 42% in originations over 1982. Analysis of more detailed data provided on the 1984 questionnaires shows that most of the second mortgage growth in 1983 resulted from growth in the number of loans made (as the average size of second mortgages increased only about 10%). The growth in lending also was reasonably consistent for all types of lenders.

In addition to data on Second Mortgage loan balances, originations, sizes, and growth, the questionnaire data provided useful insights into second mortgage renewals and cash liquidation rates, second mortgage loan terms; secondary market activity; loan delinquencies, losses and chargeoffs; and the profitability of second mortgage lending. Furthermore, data newly collected in 1984 provided useful insights into second mortgage pricing; the use of private mortgage insurance; foreclosure and chargeoff policies; and adjustable rate, balloon, revolving and indirect lending.

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In general, in spite of the recession that ended late in 1982, the data indicate that losses on second mortgage lending are still quite low. Typical foreclosures were only slightly more than one-half of one percent and chargeoffs were only about half as large as foreclosure rates. Furthermore, total delinquencies (of over 60 days) were roughly three percent. However, in spite of the good overall statistics some lenders experienced serious loss and delinquency problems in 1983.

Overall, except for those lenders who incurred excessive losses, second mortgage lending was highly profitable for most lenders in 1983. The reason was that, in general, second mortgage lenders' costs of funds dropped much more sharply than their average portfolio yields in 1983.

Other key data show that second mortgage cash liquidation rates averaged 30% at most lenders, other than commercial banks. Liquidation rates unadjusted for renewals were even higher, ranging up to 40% or more for many lenders. Unadjusted portfolio liquidation rates were highest for institutions that refinanced a number of loans and for institutions that sold many loans in the secondary markets.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed data compiled by lender group in each of the tables to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, savings associations (including mutual savings banks), commercial banks, bank affiliated finance companies with large holdings of second mortgages, bank affiliated finance companies with smaller holdings of second mortgages, non-bank finance companies with large holdings of second mortgages, and non-bank finance companies with smaller holdings of second mortgages.

Second mortgage lending, delinquency, and foreclosure experience also varied widely across states. The final section of this report describes interstate differences in second mortgage lending.

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SECOND MORTGAGE SURVEY, 1983

Richard L. Peterson*

I. Overview:

This survey is part of a continuing series of surveys that the National Second Mortgage Association (NSMA) has conducted of its members in order to obtain as much information as possible about the nature of the second mortgage market. The first survey was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to conduct surveys of second mortgage lenders in 1979, 1980 and 1981. These were published by the Credit Research Center as Working Papers No. 33, 39, and 42 -- which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center, of Purdue University. The 1982 and 1983 surveys also were prepared by the present author. Back copies of those surveys are available for $10 each (with no postage charge) from Texas Tech University's Institute for Banking and Financial Studies, Lubbock, Texas, 79409. The present survey, as was the case in years past, has been prepared for distribution by the National Second Mortgage Association to its members.

The data analyzed in this report were obtained from a poll of NSMA members that was conducted in mid-1984. All NSMA members were mailed detailed forms for completion and return anonymously to the author (a copy of the questionnaire is found in the Appendix). Most of the data reported in this paper were obtained from those questionnaires.

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This year a total of 65 NSMA members returned the questionnaires, of which 59 provided detailed data. The other six forms were returned by title search, insurance, or credit reporting firms that made no second mortgages. The data provided in the returned questionnaires provided valuable insights into the nature of growth in second mortgage originations and outstandings; second mortgage loan sizes and terms; second mortgage loan refinancings, liquidations, and cash flows; the use of private mortgage insurance on second mortgages; secondary market participation by NSMA members; second mortgage delinquency ratios, foreclosures, and chargeoffs; and factors affecting revenue sources and the overall profitability of second mortgage lending.

Due to improvements in the questionnaire and considerable care taken by most of the respondents, the data reported in the 1984 questionnaire are far more comprehensive, and should be more reliable and useful than data reported before 1982. Reporting accuracy was particularly good for large finance companies.

However, there were still some reporting problems associated with the survey. Comparisons with NSMA membership application and renewal forms indicates that at least 20 NSMA members did not report on the questionnaire. Also, only about half of those that did return questionnaires were able to give detailed data on a state-by-state basis, and only two-thirds of the respondents provided complete data on foreclosures, delinquencies, and other factors affecting their profitability. Consequently, the reported data are not as comprehensive or detailed as might be desirable. This was particularly the case since a number of reporters were unable to isolate data relating solely to second mortgages from their other operating data. This caused some responses to be omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1984 NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1983, and to second mortgage transactions during 1983. Because of the distinct nature of different financial entries, data are reported separately for the following categories of reporters:

(1) Bank-affiliated finance companies holding over $100 million in outstanding second mortgages
(2) Bank-affiliated finance companies holding $100 million or less in outstanding second mortgages
(3) Other finance companies holding over $100 million in second mortgages
(4) Other finance companies holding $100 million or less in second mortgages
(5) Commercial banks
(6) Savings and loan associations and mutual savings banks, and
(7) Mortgage bankers.

A breakdown of questionnaire respondents, by reporting category, is given in Table 1. Some key data reported in the questionnaire are summarized for each type of lender in Table 2. Much more detailed and analytical data follow in tables 3 through 24.

In Table 2 summary data are compiled for key statistics on second mortgage outstandings, originations, foreclosures, and chargeoffs. The number of respondents providing constituent data is given in parentheses at the side of each column. At the bottom of the table, supplementary data obtained from NSMA membership application and renewal forms are provided on second mortgage foreclosure rates. The footnote to the table presents supplementary data on average loan sizes obtained from the application and renewal forms.

The data listed in Table 2 indicate that NSMA members held over 1.1 million second mortgages worth nearly $17 billion at year end 1983. The average size of second mortgages outstanding was between $15,000 and $16,000. The data also indicate that NSMA members originated well over 400,000 second mortgages, worth over $8½ billion during 1983. The average size of new loans was approximately $20,000.

While not all respondents provided data on foreclosures, most of the larger second mortgage holders did so. They reported four thousand foreclosures in 1983 on loans worth $86 million. However, their net chargeoffs in 1983, at $43½ million were only half as large as the value of loans foreclosed. More complete data on foreclosures obtained from NSMA membership application and renewal forms indicate that second mortgage foreclosures nearly equalled 5,000 in 1983. However, the median ("typical") foreclosure rate only equalled 55 hundreth's of 1 percent of the amount of loans outstanding at year-end 1983.

The average loan size data reported in Table 2 differ from later figures in that they are averages for sums of all data reported by all respondents. All other data reported in the study refer to high, low, or "typical" (i.e., median) values of ratios applicable to each type of institution. In those computations, averages are obtained by giving each institution's statistics equal weight, while in Table 2 each loan, or each dollar of outstandings (as the case may be), is given equal weight.

II. Characteristics of Second Mortgage Lending in 1983

The 1984 questionnaire obtained extensive descriptive information on respondents' loan policies and portfolio characteristics in 1983. For the first time, direct data were obtained on loan pricing and credit insurance policies; adjustable rate, balloon, revolving, and indirect lending; the security position of second mortgage debt; and rate adjustment techniques on variable rate loans. In addition, as was done in previous years, data were compiled on second mortgage growth rates, originations and renewals, cash and total portfolio liquidation rates, and secondary market activity. Major findings are presented in Tables 3 through 12 and are summarized below.

A. Loan Terms

In 1984, for the first time NSMA members were asked to report their high, low, and average interest rates charged during 1983. The reported data indicated that rates on new second mortgages ranged from 10.91% to 38% in 1983, and that second mortgage rates averaged 17.12% for all lenders who reported their average second mortgage rates. Typical average rates charged on second mortgages were highest for smaller finance companies, substantially lower for large finance companies, even lower for commercial banks and mortgage bankers, and lowest for thrift institutions(See Table 3).

Loan to value ratios (LTV) on second mortgages ranged from 61.2% to 82%, with an average of 72%. Typical loan to value ratios ranged from 70% to 75% of appraised equity. Banks and Thrifts typically offered loans on the most restrictive terms, while finance companies and mortgage bankers typically offered loans with slightly higher loan to value ratios. The maximum combined loan to value ratio (CLTV) that NSMA respondents would consider ranged from 60%

to 100%. The average CLTV was 81% and typical maximum requirements ranged from 75% to 85%.

The written maturity of new second mortgages ranged from 24 months to 260 months and averaged 112 months. However, due to the use of renegotiable balloon notes, the average actual maturity was substantially lower, with an average value of 79 months. Typical written maturities were longest at large finance companies, commercial banks, mortgage banks, and thrift institutions, where they were approximately ten years. Typical written maturities were shortest at the smaller finance companies, where they averaged 7 years of less. Typical values for average actual maturities were between 5 and 7 years for most lenders, with a maximum value of 18 years and a minimum value of 3 years.

The average size of second mortgage loans made to businesses ranged from $19,000 to $683,000 in the last quarter of 1983, but only 8 respondents made such loans. The average size of loans made to households by NSMA respondents was considerably smaller -- with an average size ranging from $4,900 to $129,000 for different respondents and typical values, for most types of lenders, of approximately $18,000. Typical loan sizes were largest at commercial banks and smallest at small bank-affiliated finance companies.

Additional information collected on loan terms indicated that, the vast majority of second mortgage respondents rarely made second mortgages to finance new home purchases. The data also showed that most lenders did not require the use of private mortgage insurance -- albeit, its usage was somewhat lower at bank-affiliated finance companies and somewhat higher at commercial banks and large non-bank finance companies than at other lenders.

B. Growth in Second Mortgage Lending

NSMA respondents reported strong growth in their second mortgage loan originations and outstandings by all types of lenders in 1983. The median growth rate in originations was 41.9% for the value of loans originated and 24.1% for the number of loans originated. The typical average size of new loans increased moderately (by 7 to 22 percent) at all lenders except commercial banks. Because of the strong growth in originations, second mortgage outstandings typically grew by 16.6% from year-end 1982 to year-end 1983 with the most rapid growth occurring at large finance companies, commercial banks, and mortgage banks. The number of loans outstanding typically grew by 10% and the average size of loans outstanding typically grew by 6 to 9 percent in 1983. While the growth in loans and loan sizes was fairly even across the board, commercial banks typically experienced the most rapid growth in the number of loans (See Table 4).

C. Second Mortgage Originations and Renewals

The overall average size of second mortgage originations throughout 1983 varied substantially among lender groups. The finance companies (especially the smaller finance companies) typically made the smallest loans while commercial banks, followed by thrift institutions and mortgage banks, typically made the largest loans. Overall, the average size loan made by all respondents was a little over $20,000. The average size of revolving credit originations, at $19,000 was somewhat smaller than the average size of second mortgage originations in general. This pattern was consistent across lender groups with the exception of large bank-affiliated finance companies (See Table 5).

For NSMA members in general, a large portion of the number of second mortgages originated represented renewals of previous loans. The renewal rate was highest for finance companies, particularly for the smaller finance companies where renewals typically represented half of all loan originations. In contrast, renewal rates were quite low for mortgage bankers, thrift institutions, and commercial banks. Because of the high amount of renewals at some lenders, overall, new money represented only 80% of the second mortgage originations reported by NSMA members.

D. Second Mortgage Liquidation Rates

Many people are interested in the speed with which second mortgage portfolios typically are liquidated. The scheduled amortization rates from second mortgages and, hence, the scheduled cash flows are considerably higher than amortization rates and cash flows from first mortgages. In addition, second mortgage liquidation rates are augmented by the fact that second mortgages are prepaid or refinanced much more frequently than first mortgages.

While it would be ideal to have information on liquidation rates according to the age and initial maturity of second mortgages, such detailed data are not available. In fact, data are not directly available on total portfolio liquidation rates. Nonetheless, liquidation rates can be computed for entire second mortgage portfolios by making use of the fact that the change in outstandings must equal originations minus extensions or, equivalently, total liquidations equal new extensions minus the change in outstandings. Additional adjustments can also be made to account for purchases and sales of second mortgages from the portfolio and for renewals which represent paper, rather than cash, transactions.

Table 6 shows the portfolio liquidation rates calculated by various techniques for different types of lenders. Because mortgage bankers vary their portfolios widely, as they pool and sell off securities, in some cases the calculated liquidation rates did not make sense and were excluded from the results presented in Table 6.

Overall, the data presented in Table 6 indicate that second mortgage portfolios turned over at a high rate in 1983. Except for commercial banks, typical second mortgage portfolio liquidation rates equalled 30 percent to 40 percent of average net outstandings during 1983. Even after adjustment for purchases and sales and refinancings, cash liquidation rates typically were close to 30% of average net outstandings for all non-bank lenders. At the indicated rates the average second mortgage would be liquidated by cash repayment in roughly three years, and it would be liquidated either by cash repayment or renewal in approximately 2½ years.

E. Secondary Market Activity

Approximately 40 percent of the 1984 NSMA questionnaire respondents reported purchasing second mortgages from other originators, and approximately 20 to 25% of all respondents reported selling and servicing second mortgages. On balance, NSMA members were net purchasers of second mortgages, with purchased mortgages accounting for approximately 5% of the mortgages held by NSMA respondents. However, second mortgages sold accounted for slightly less than 4% of second mortgage originations in 1983 (See Table 7).

Purchasers of second mortgages tended to buy mortgages that were somewhat smaller than second mortgage credit originations in general. However, second mortgages sold and serviced tended to be somewhat larger than typical second mortgage loan originations and outstandings.

Finally, while little information was available on servicing fees received on second mortgages, the limited data that were available suggested that annual servicing fees typically averaged between $300 and $400, or approximately 2% of the value of second mortgages serviced.

F. Revolving Lending

The 1984 questionnaire showed that revolving second mortgage credit originations and, to a lesser degree, outstandings, grew strongly from 1982 to 1983. At year-end 1983, revolving credit accounted for $573 million or 3% of all second mortgage credit outstanding. Revolving credit originations in 1983 were $385 million, or 4½% of total second mortgage originations in 1983. Both figures were up strongly from 1982, primarily because many more lenders reported revolving credit originations and outstandings in 1983 (See Table 8).

In general, the average size of revolving second mortgage loans was somewhat smaller than typical second mortgages. This suggests that revolving lines of credit secured by second mortgages probably were not fully utilized.

G. Adjustable Rate and Balloon Mortgages

Adjustable rate mortgages (ARM's) were another form of second mortgage that grew very rapidly during 1983. At year-end 1983, NSMA respondents reported that they had ten times as many ARMS's outstanding as they had at the beginning of the year -- an amount equal to 10½% of their total second mortgage holdings. Much of the growth reflected the acquisition of adjustable rate mortgages by lenders who previously had not made such loans. However, the typical lender that held adjustable second rate mortgages at the start of 1983 quadrupled its holdings during the year (See Table 9).

Ownership of ARM's was concentrated among particular lender groups. Thrift institutions were the most active in the market, followed by commercial banks and large finance companies of all types. Small finance companies rarely made adjustable rate second mortgages and mortgage banks held relatively few.

Rate adjustments on second mortgage ARM's were primarily tied to short-term market rates. The bank prime rate was primarily used to establish ARM rates -- particularly for finance companies and commercial banks. The second most common type of rate base consisted of rates on Treasury securities -- usually 3 month, 6 month, or 1-year Treasury bills. Treasury security rates were most commonly used to adjust rates charged on ARM's issued by thrift institutions and mortgage bankers. Other rate adjustment mechanisms included the 10-year Treasury bond rate, the CD rate, the company's "base rate," the Federal Home Loan Bank Cost of Funds index and the Federal Home Loan Bank Mortgage index. Rate adjustment procedures are summarized in Table 9 and presented in more detail in Table 10.

Some companies used balloon rate second mortgages in lieu of ARM's. Such mortgages have rates that can be marked to the market whenever they come due and the balloon payment is refinanced. Overall, balloon mortgages grew substantially less rapidly than ARM's during 1983, but they still grew at a rapid rate. As a result, they accounted for 2½% of all second mortgages held by NSMA respondents at year-end 1983.

Interestingly, in contrast with revolving second mortgages, which were slightly smaller than typical second mortgages, ARM's and balloon note second mortgages were substantially larger than other second mortgages. Seemingly, lenders are more concerned with obtaining protection against interest rate changes when they extend large amounts of credit which, presumably, is amortized over relatively long periods of time.

H. Indirect Lending and Subordination of Second Mortgage Debt

The 1984 NSMA questionnaire, for the first time, asked questions designed to determine the extent to which second mortgage lenders obtained their second mortgages indirectly rather than through their direct lending activities. Very few firms responded to this question and the vast majority of them indicated that they did not engage in indirect lending. Furthermore, most that did engage in indirect lending obtained only a small portion of their portfolios that way. Nonetheless, several respondents obtained their entire second mortgage portfolios through indirect loan originations.

Another set of questions asked for the first time were questions designed to determine the security position of second mortgage liens. While most respondents reported that all their second mortgages were, indeed, second liens, half a dozen reported that some were, in fact, first liens taken out by people who wished to draw on the equity in their fully-owned homes. The highest proportion of first liens, however, was only 35% (See Table 11).

Finally, two respondents reported that a few of their second mortgages were actually third liens or higher. However, the maximum holding of such liens was only 13%.

I. Private Mortgage Insurance

Some second mortgage lenders use private mortgage insurance to provide additional risk coverage on their loans. Many require such insurance only if the borrowers equity position in a property, based on a combined loan to value ratio (CLTV) assessment, is below their usual standards. Others may require private mortgage insurance on all loans so they can be more easily pooled and resold.

The 1984 questionnaire asked respondents to specify their private mortgage insurance (PMI) policies. Responses to that question are provided in Table 12. The limited number of responses suggest that private mortgage insurance is not required by most second mortgage lenders, and when it is required, it is used primarily to guarantee loans that otherwise would fail to meet the lender's owner equity standards. Interestingly, it appears that a number of lenders impose much stricter equity standards on non-owner occupied or business-related properties.

III. Delinquencies, Foreclosures, and Chargeoffs on Second Mortgages

A. Delinquency Rates

In 1983, delinquency, foreclosure, and chargeoff rates were slightly higher than in 1982, probably because of lagged effects of the severe recession that ended in late 1982. However, problem loans still accounted for a very minor portion of most second mortgage lenders' portfolios.

Table 13 presents data on delinquency rates reported by NSMA respondents. It shows that typical 60 day+ delinquency rates for second mortgage lenders were 2.42% of net loans outstanding or 3.12% of the number of loans outstanding. It also shows that 60-89 day delinquency rates typically were 0.50%, based on the value of loans delinquent, and 0.59%, based on the number of loans delinquent. Delinquency rates expressed as a percentage of the number of loans outstanding tend to be higher than delinquency rates expressed as a percentage of the value loans outstanding because delinquent loans tend to be of smaller than average size.

There was substantial variation in delinquency rates both among individual lenders and by type of lender. Maximum delinquency rates were as high as 22.67% at mortgage banks (where they may be overstated due to mortgage banks low values of outstandings relative to serviced loans) and as low as 0.62% at commercial banks. As a general rate, typical delinquency rates were lowest at commercial banks, thrift institutions, and mortgage banks, and highest at finance companies. Some small finance companies had delinquency rates of 10% or more.

B. Foreclosure Rates and Policies

Once a mortgage becomes delinquent, it may go into foreclosure or be charged off. Because considerable variation can exist in companies' policies at this point, NSMA respondents were asked to describe their foreclosure and chargeoff policies. Table 14 presents information on respondents' foreclosure policies.

Table 14 indicates that foreclosure policies vary widely. While most finance companies move to foreclose after 60 or, occasionally, 90 days in delinquent status, many also note that foreclosure will not be pursued at that time if the customer is cooperative and there are extenuating circumstances. Most mortgage banks have similar policies, albeit, some let the buyers of their mortgages dictate foreclosure policies. Commercial banks and thrift institutions have more variable policies -- some commence foreclosure proceedings when a loan is 30 days past due and others may wait as long as 180 days to foreclose. Some depository institutions of both types (commercial banks and thrifts) also noted that foreclosure was undertaken after protracted attempts were made to work with the borrower. Overall, foreclosure policies varied sharply depending upon the willingness of the customer to cooperate, the amount of equity in the home, and the stage of delinquency. Cooperative borrowers with extenuating circumstances often could forestall foreclosure, while uncooperative borrowers might find themselves faced with foreclosure proceedings in 60 days or, sometimes, less.

Foreclosures reported for 1983 by 37 questionnaire respondents totalled 4020, with a total value of $86,028,626. this equalled slightly more than 1/2% of all outstanding second mortgage loan balances at year-end 1983. As shown in Table 15, typical foreclosure rates as a percentage of year-earlier outstandings were lowest for commercial banks (at 0%), moderate for large finance companies of all types (at 0.43% and 0.48%) and thrift institutions (at 0.60%), and highest for smaller finance companies (at 0.93% and 1.15%) and mortgage banks (at a possibly upward biased 2.74%). Foreclosure rates for 1983 varied from 0% to over 10% of 1982 year-end outstandings at different institutions.

Additional details on foreclosures are provided in Table 16. Table 16 shows that nearly one-quarter of all property foreclosed is taken by deed and that slightly more than three-quarters is taken by legal process. Thrifts and mortgage banks most frequently recover the secured property through legal process while finance companies most frequently recovered their security by deed.

Other data presented in Table 16 indicate that the average ratio of property sold to total annual foreclosures is slightly more than 80%. This ratio often is less than 100% due to growth in the number of foreclosures and lags in the recovery and sale of foreclosed properties. However the ratio of sales to foreclosures may be over 100% for firms that liquidated properties foreclosed in previous years in addition to current foreclosures.

Finally, data provided in Table 16 show that the value realized from the sale of foreclosed properties equals 87% of the value of properties sold. While some firms recover 100% of the value of the debt upon sale, others realize substantially less -- which holds down the statistics on average recovery rates.

C. Chargeoffs

Overall, as shown in Table 17, total chargeoffs reported by NSMA respondents in 1983, at $68½ million, were three-quarters as large as their total foreclosures. However, as is shown in Table 18, many respondents charge off expected losses on a loan as soon as foreclosure proceedings are started. Subsequent recoveries may reduce chargeoffs substantially. Thus, total net chargeoffs, at $43 million equalled only one-half the value of foreclosures, even though chargeoffs were reported by more respondents than foreclosures.

Table 17 shows that recoveries on gross chargeoffs range from zero to 49%, and typically equal 14% of gross chargeoffs. Nonetheless, even after recovery, net chargeoffs were not trivial for most second mortgage lenders in 1983, as they ranged from 0 to 12% of average outstandings and had an average value of 0.78%.

Net chargeoffs typically were highest for the smaller finance companies (at 0.62% and 1.07% of average outstandings), moderate for the larger finance companies (at 0.43% and 0.44%), and lowest for thrift institutions, commercial banks, and mortgage bankers (where many institutions reported zero net chargeoffs). Interestingly, as one would expect, chargeoffs were highest at the highest rate lenders (who also made the smallest loans on most generous terms) and lowest at lower rate lenders (who also made larger loans on more restrictive terms).

V. Profitability of Second Mortgage Lending

The ultimate objective of second mortgage lenders is to turn a profit by making sure that loan revenues exceed costs. In this section we look at second mortgage lenders' overall profits, the relative importance of different types of revenues that accrue to second mortgage lenders, the cost of funds to second mortgage lenders, and the methods by which they recognize income.

A. Income Accounting

Table 19 presents responses given to a question that asked each responding firm to describe its income-recognition accounting procedures. The responses show that accounting procedure vary greatly among firms. There are two major types of differences -- cash vs. accrual accounting and actuarial (or simple interest) vs. sum-of-the years digits (rule of 78's) accounting for interest recognition.

The majority of lenders used accrual, rather than cash collection, methods to recognize earned income. However, many who did so had a provision whereby they either ceased interest accruals or reversed them when a loan became 60 to 90 days past due. Also, although actuarial or simple interest calculation procedures appear to be increasing -- particularly for loans over 84 months, and on revolving credit lines and other adjustable loans -- many lenders, possibly a majority, still use the Rule of 78's (or sum-of-the years digits) method to calculate accrued interest. The Rule of 78's can generate greater income if a second mortgage is prepaid -- as is commonly done -- but it often is deemed to generate excessive prepayment penalties on long-maturity loans and it is not sufficiently flexible to allow for adjustable rates.

B. Profits

Overall, as shown in Table 20, reporting second mortgage lenders recorded substantial profits in 1983. The six lenders who reported both their equity and their profits applicable to their second mortgage portfolios recorded a median (typical) pretax return on equity of 41.6%. While pretax returns on lenders full portfolios were typically somewhat smaller, all reporting mortgage bankers earned at least 41.6% or more as a pretax return on equity and typical pretax returns for bank-affiliated finance companies equalled more than 29%. Although a few non-bank finance companies earned relatively small pretax returns on equity, none of the reporting firms incurred losses in 1983.

Pretax income, recorded as a percentage of loans outstanding, generally was higher for second mortgages than for firms' entire portfolios. Typical positive net income "spreads" ranged from 2% of second mortgage outstanding at commercial banks to 3% at non-bank finance companies to more than 5% at bank-affiliated finance companies. Lenders' pretax ratios of total income to outstandings, while slightly below returns on their second mortgages, *per se*, generally were large relative to lenders' entire portfolios. Thus, overall, 1983 was a very profitable year for NSMA respondents.

C. Interest Costs and Revenues

The major reason 1983 was a profitable year was that second mortgage lenders' interest costs were substantially lower than their average interest revenues on their second mortgage loan portfolios. As is shown in Table 21, lenders' interest earnings on their second mortgage loan portfolios ranged from 10% to nearly 24%, with finance companies typically earning 18% returns, and other lenders earning somewhat less. At the same time, lenders costs of funds were relatively low. Possibly because of the existence of long-term debt at low rates, and also because short-term rates fell substantially, all reporting second mortgage lenders had average interest expenses equal to or less than 12.26% of their average borrowings during 1983. While costs of funds applicable to lenders' full portfolios were somewhat higher, typical costs of funds still remained in the 8% to 12% range.

While interest earnings on second mortgage lenders' entire portfolios often averaged slightly more than their earnings on their second mortgages, per se, their profits on their other lending were not necessarily as high as their profits on second mortgages. Two reasons probably account for this: (1) lenders' operating costs per dollar of credit outstanding of making and servicing second mortgages are lower than the operating costs per dollar associated with smaller loans and (2) lenders may obtain significant non-interest revenues from origination fees and other revenue sources related to second mortgage loans.

Table 22 provides more detail on revenues received by second mortgage lenders. It shows that total revenues received on second mortgage portfolios tend to be somewhat higher than interest earnings per se. Major sources of additional revenues are mortgage servicing fees, origination fees, and insurance and other revenues. Typical origination fees averaged roughly 1 1/4% (between 1 and 1 1/2%) of second mortgage originations and slightly more than 1/2% of second mortgage outstandings. Insurance and other revenues ranged from 0.2% of second mortgage originations to over 5%, with typical values around 1/2 of 1%. Servicing fees were highly variable, in part because only a small fraction of respondents serviced second mortgages; they typically ranged from 0 to 2.2% of average second mortgages outstandings.

All in all, non-finance charge sources of revenue frequently added between 1/2% and 3 percent to the rate of return second mortgage lenders earned on their second mortgage portfolios.

VI. State Specific Data

Each respondent to the 1984 questionnaire was asked to provide separate information on the characteristics of their second mortgage lending operations in each state. While not all could, or did, comply, between one-third and one-half the respondents provided substantial data on their second mortgage lending in each individual state. Most of the respondents to this part of the questionnaire were finance companies.

The statewide data provided included data on second mortgage loan outstandings, originations, delinquencies, foreclosures, and average finance rates. Those data are summarized in tables 23 and 24. Table 23 provides summary data on statewide outstandings, originations, average finance rates (APR's), delinquency rates (for 60 days and over), and foreclosures for all 50 states plus Washington, D.C., Puerto Rico, and , in one case, Ontario. Table 24 provides key ratios calculated either directly form state statistics or by comparing state statistics to similar growth and delinquency data for lenders' portfolios as a whole. The ratios are useful for analyzing such things as growth patterns, foreclosure rates and experience, and comparative delinquency rates.

Major points of interest of related to the state specific data relate to (1) outstandings and originations volume and growth, (2) loan rates, (3) comparative delinquency rates, and (4) foreclosure experience. Each will be discussed in turn.

A. Outstandings, Originations, and Growth

The data presented in Table 23 (columns (1) and (2)) show that there are vast differences in the amount of loan outstandings reported in each state -- ranging from zero in Arkansas and Maine (where rate ceilings and laws have traditionally restricted lending) to 2½ billion in California. States with the largest amounts of second mortgages originated or outstanding included, in order, California, Florida, Pennsylvania, Ohio, Colorado, New Jersey, Arizona, North Carolina, Virginia, Maryland, New York, Indiana, and Oklahoma. States with the lowest amount of second mortgages reported outstanding included, in order, Arkansas and Maine, North Dakota, Alaska, Vermont, South Dakota, Washington D.C., Rhode Island, Montana, Michigan, Nebraska, and Wyoming.

Growth rates of second mortgage lending could be approximately measured by computing the ratio of originations to outstandings. If a large portion of outstandings were acquired in the past year, then the growth rate of outstandings was assumed to be high. Mortgage bankers who sold their loans out of state provided an exception to this rule, however. Therefore, such data were eliminated from these calculations if they had extraordinarily high values.

States were classified as high growth or low growth states based on both the ratio of originations to outstandings (Table 24 - Column 1) and the relative value of that ratio to the ratio of originations to outstandings for each lenders' entire portfolio (which showed growth in each state relative to each lenders' overall growth performance -- Table 24, column (2)). Based on the first ratio, high growth states included, in order, Minnesota, Michigan, Delaware, Massachusetts, West Virginia, Washington, Kentucky, South Carolina, Oklahoma, Maryland, Nebraska, Pennsylvania, New York, Wisconsin, Rhode Island, Illinois, New Mexico, and Texas. The relatively high growth rate was confirmed by the second ratio for all states except Texas, which allows second mortgages to be made only for limited purposes (home improvements or initial purchase money). The lowest growth rates for second mortgage lending apparently occurred in the following states, in order: Arkansas, Maine, South Dakota, Wyoming, North Dakota, Florida, California, North Carolina, Oregon, Louisiana, Mississippi, Hawaii, Washington, D.C., and Georgia. The low growth was confirmed by the comparative growth ratios for every jurisdiction except Oregon and Washington, D.C..

High growth states seemed to include a number of states in which finance company operations, in general, had previously been restricted by restrictive state laws. Low growth states seemed to include some states (Arkansas and Maine) where laws were still restrictive, some states (North and South Dakota and Wyoming) where the local economy was depressed, and some states (California and Florida) where the second mortgage market had already matured and had, thereby, reduced its potential for high compound growth rates in the future.

B. Loan Rates

Most second mortgage loan rates reported by respondents averaged between 17% and 19% in each state. The highest average rate was 20.6% in Vermont, and the lowest average rate was 13.9% in Texas (where most second mortgages are purchase money or home improvement loans). The states with relatively high rates (above 19%) included, in order, Vermont, Michigan, Kentucky, Nebraska, Alaska, Mississippi, Pennsylvania, and Georgia. The states with relatively low rates (below 17%) included, in order, Texas, Washington D.C., New Jersey, Arizona, Nevada, Florida, Hawaii, and Connecticut (See Table 23, Column (3)).

C. Comparative Delinquency Rates

Average delinquency rates varied widely across states, as shown in Table 23, column 4. This was confirmed by an analysis of comparative delinquency rates in each state relative to average delinquency rates experienced by the same lenders in their overall second mortgage lending operations. Overall, the highest delinquency rates were observed in Utah, where a number of lenders had serious delinquency problems. Following Utah, the highest average delinquency rates (2.9% or higher for delinquencies of 60 days or over) were observed, in order, in Wyoming, South Dakota, Iowa, Nebraska, Mississippi, Indiana, Idaho, Washington D.C., West Virginia, Illinois, Oregon, Montana, Kansas, and California. Overall, the highest delinquency rates tended to be clustered in the nation's "breadbasket," possibly because of the depressed state of agriculture; in the North Central and Rocky Mountain States where energy exploration development declined in 1983; and on the West Coast, where some real estate market prices may have declined from their previous highs.

The lowest average delinquency rates (below 1.25% for 60 days or over) were reported for North Dakota, Texas, Alaska, Michigan, North Carolina, Georgia, South Carolina, Rhode Island, Virginia, Delaware, Maryland, and New York. Relatively low delinquency rates (from 1.25% to 1.5% for 60 day plus delinquencies) were also reported in Kentucky, Connecticut, Tennessee, and New Mexico. The low rate in Texas (at 0.21%) is consistent with great lender caution accompanying the low loan rate and the restrictive nature of the market. However, While loan rates also were low in Washington, D.C., the high delinquency rate there (at 3.26%) suggests that lenders may have taken too much risk relative to their rates of return.

Overall, the comparative delinquency ratio data (Table 24, column (2)) indicate that the highest relative delinquency rates (at least 25% above lenders experience in other states) occurred in order, in Utah, Nebraska, Iowa, Oregon, Washington D.C., California, Mississippi, Kansas, Indiana, Louisiana, Idaho, Montana, and Illinois -- with Missouri and West Virginia not far behind. The lowest relative delinquency rates (below 50% of lender's overall experience) occurred, in order, in North Dakota, Alaska, Texas, Michigan, North Carolina, Vermont, Georgia, Massachusetts, Delaware, Rhode Island, South Carolina, Maryland, Hawaii, and New Mexico -- with Virginia not far behind.

D. Foreclosure Experience

Data on foreclosures reported in each state are presented in Table 23, column 5, and in Table 24, columns, 3 and 4. Overall, the number of reported foreclosures (Table 23, column 5) was highest in California, Arizona, Florida, Utah, Colorado, Oregon, and Ohio. The number of reported foreclosures was lowest in Alaska, North Dakota, Michigan, Vermont, Hawaii, Rhode Island, Delaware, Nevada, Kentucky, Minnesota, New Hampshire, Texas, and South Dakota. However, the raw numbers can be very misleading because the amount of loans varies so greatly from state to state.

In order to control for different amounts of loan outstandings each lender reported foreclosures in each state were divided by the amount of credit that each lender had outstanding in that state, then the resulting figures were averaged for all reporting lenders. The result is shown in Table 24, column 4. Those data indicate that foreclosure rates tended to be highest (above 2% of outstandings), in order, in Nebraska, West Virginia, Utah, Washington, D.C., Louisiana, Oregon, Colorado, South Dakota, Arizona, Iowa, Kansas, and

California -- with Montana lagging somewhat further behind. On this basis foreclosure rates in California were only 12th highest in the country even though the state reported the highest total number of foreclosures. Similarly, foreclosure rates in South Dakota were 8th highest in the country, even though lenders in that state reported only 2 foreclosures. While this method of ranking is not perfect, as one lender with a very bad experience can raise average reported foreclosure rates considerably, it probably gives a more accurate assessment of where foreclosures are causing the most difficulties than a comparison of the number of foreclosures in each state, per se.

The lowest incidence of foreclosure, below 0.4% of outstandings based on average foreclosure rates reported by individual lenders, existed, in order, in Michigan, Nevada, New York, Delaware, New Jersey, Kentucky, New Hampshire, Texas, and Maryland, Only slightly higher (0.47% to 0.68%) foreclosure rates were reported in Pennsylvania, Minnesota, North Carolina, Mississippi, Wisconsin, Georgia, and Alabama.

The final item of data reported on foreclosures reported was the ratio of foreclosed property sold to foreclosures (Table 4, column 3). Because not many respondents reported on the amount of property sold, these statistics do not appear to be very useful.

VII. Conclusions

This survey reports on the 1984 NSMA Second Mortgage Questionnaire. Data compiled from the responses of 58 respondents provide useful insights into the following aspects of the second mortgage markets: loan outstandings, originations, and growth; loan terms and sizes, second mortgage liquidation rates; the use of secondary markets, revolving credit, adjustable rate and balloon notes; indirect lending and the use of private mortgage insurance; second mortgage delinquency, foreclosure, and loss rates; and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, finance rates, delinquency rates, and foreclosures. The data presented was much more detailed this year than in the past surveys because of revisions in the questionnaire.

TABLE 1: CHARACTERISTICS OF NSMA QUESTIONNAIRE RESPONDENTS, 1984

Finance Companies, total				34
Finance Companies Affiliated with Commercial Banks			19	
Holders of over $100 million in seconds (LBF Co.)		12		
Domestic	11			
Foreign	1			
Holders of under $100 million in seconds (SBF Co.)		7		
Other Finance Companies			15	
Holders of over $100 million in seconds (LF Co.)		9		
Holders of under $100 million in seconds (SF Co.)		6		
Commercial Banks				5
Thrift Institutions (Savings & Loans and Savings Banks, including commercial bank subsidiaries)				6
Mortgage Bankers and Related Institutions -- including subsidiaries of banks, thrifts, and others				13
Self-defined mortgage banks			11	
Mortgage "broker" servicing seconds			1	
Issuer of Mortgage-backed securities			1	
TOTAL *				58

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* Includes all responses providing numeric dated that were received before Oct. 1, 1984. Another savings & loan second mortgage originator responded subsequently. An additional half dozen responses were received from title insurance companies, mortgage insurors, and credit reporting agencies which did not contain numeric data.

TABLE 2: KEY SUMMARY STATISTICS ON 1983 SECOND MORTGAGE ACTIVITY

A. Second Mortgages Outstanding at Year-End 1983		
1. Number of Second Mortgages Outstanding	1,114,841	(54)
2. Net* Value of Second Mortgages Outstanding	$16,895,958,872	(55)
3. Average Size of Second Mortgages Outstanding	15,156	(**)
B. Second Mortgage Originations, 1983		
1. Number of Second Mortgages Originated	428,262	(54)
2. Net* Value of Second Mortgage Originated	$8,544,032,701	(55)
3. Average Size of Second Mortgage Originations	19,950	(**)
C. Second Mortgage Foreclosures and Chargeoffs in 1983		
1. Number of foreclosures	4,020	(36)
2. Value of Second Mortgages Foreclosed	$86,028,626	(37)
3. Gross Chargeoffs	68,571,594	(44)
4. Net Chargeoffs	$43,612,392	(44)
D. Foreclosure Data Reported on NSMA Membership Renewal and Application Forms		
1. Foreclosures in 1983	4,908	(71)
2. Number of Foreclosures as % of 1983 Outstandings		
a. Average for all respondents	0.44%	
b. Typical (median) response	0.55%	

* These figures may be overstated by a minor amount. In a few instances, "net" data were not available and "gross" figures were substituted -- but the differences were generally small.

** Average size data are obtained by dividing line 2 by line 1; Since the number of reporters differs, they are not very accurate. Average loan sizes computed from 79 membership application and renewal forms were: outstandings, $15,820; originations, $21,109.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1983

1983 Rates Charged	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks	Full Sample
LOAN RATES								
Highest Rate	24.00	27.50	36.00	29.00	16.14	20.73	38.00	38.00%
Lowest Rate	12.00	13.50	12.00	14.75	12.00	10.91	12.50	10.91
Typical Avg Rate	16.00	19.95	17.58	19.50	14.50	12.89	14.77	
Overall Average Rate								17.12%
LOAN/VALUE RATIOS								
Average Ratio of Loan to Appraised Equity								
HIGH	80.00	80.00	--	80.00	77.50	80.00	82.00	82.00%
LOW	70.00	65.00	--	70.00	65.00	61.21	65.00	61.21
TYPICAL	75.00	72.50	70.00	75.00	70.00	69.00	75.00	
AVERAGE								72.21%
Maximum Ratio of All Mortgages to Appraised Value of Property								
HIGH	100.00	85.00	90.00	85.00	80.00	90.00	95.00	100.00%
LOW	60.00	80.00	72.50	75.00	75.00	75.00	75.00	60.00
TYPICAL	82.50	80.00	77.50	80.00	75.00	82.50	85.00	
AVERAGE								81.30%
MATURITY								
Average Written Maturity of New Loans								
HIGH	161.00	102.50	150.00	90.00	180.00	96.00	260.00	260 mo.
LOW	60.00	60.00	82.00	81.00	84.00	24.00	37.00	24
TYPICAL	120.00	76.00	119.24	84.00	124.50	116.16	120.00	
AVERAGE								111.92mo.
Average Actual Maturity of New Loans								
HIGH	120.00	102.50	--	72.00	84.00	216.00	144.00	216 mo.
LOW	36.00	60.00	--	72.00	84.00	52.00	37.00	36
TYPICAL	60.00	77.55	40.00	72.00	84.00	90.00	60.00	
AVERAGE								79.09mo.
PERCENT OF SECOND MORTGAGES USED FOR PURCHASE MONEY								
HIGH	95.0%	0	13.40%	0	15.0%	5.0%	24.0%	95.0%
LOW	0	0	0	0	0	5.0	0	0
TYPICAL	7.5%	0	0.35%	0	7.5	5.0	0	
# OF RESPONSES	8	2	4	1	2	2	7	26
AVERAGE SIZE OF LOANS MADE IN LAST QUARTER OF 1983								
Loans to Households								
HIGH	$36,802	14,366	22,457	39,230	43,757	19,385	129,000	$129,000
LOW	10,831	4,855	14,113	14,897	21,824	15,734	7,628	4,855
TYPICAL	18,369	12,733	18,440	18,203	31,057	17,560	20,163	
# OF RESPONSES	9	5	5	4	4	2	9	38
Loans to Business								
HIGH	114,796	NA	--	--	NA	NA	56,951	$682,800
LOW	26,370	NA	--	--	NA	NA	19,231	19,231
TYPICAL	65,850	NA	84,806	682,800	NA	NA	--	--
# OF RESPONDENTS	4	0	1	1	0	0	2	8
NUMBER (AND PERCENTAGE) OF RESPONDENTS REQUIRING PRIVATE MORTGAGE INSURANCE ON SOME LOANS								
	1 (8%)	0 (0%)	4 (44%)	2 (33%)	1 (20%)	2 (33%)	3 (23%)	13 (22%)

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1983

I. Growth in Originations

A. Number of Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+148.13%	+104.29%	+59.33%	+29.94%	+328.57%	+301.34%	+441.12%	+441.12%
Low	-17.65	-31.27	+0.44	-38.92	-37.47	-22.24	-52.05	-52.05
Typical	+22.56	+31.30	+32.06	+5.56	-1.91	+42.04	+25.99	+24.13
Average								+44.57
# responses	10	7	7	4	4	4	11	47

B. Net Value of Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+46.16%	+111.86%	+109.53%	+63.05%	+387.85%	+91.70%	+442.14%	+442.14%
Low	-30.25	-33.56	+15.38	+5.63	-40.13	-28.67	-52.63	-52.63
Typical	+41.88	+51.05	+45.79	+10.14	+150.36	+30.05%	+49.80	+41.87
Average								+71.52
# responses	9	6	7	4	4	3	8	42

C. Growth in Average Size of Net Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+43.99%	+23.24%	+58.66%	+72.94%	+20.07%	+17.61%	+23.75%	+72.94%
Low	-48.05	-3.32	+9.71	+3.23	-9.79	-8.27	-33.16	-48.05
Typical	+22.10	+7.22	+14.88	+14.49	-4.25	+7.40	+10.69	
# responses	8	6	7	4	3	3	7	38

II. Growth in Net Outstandings

A. Number of Loans Outstanding

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+37.76%	+28.01%	+23.6%	+62.90%	+66.46%	+5967%	+147.39%	+147.39%
Low	-13.67	-17.76	-5.02	-14.75	-1.58	-22.14	-67.22	-67.22
Typical	+4.25	+9.35	+6.41	+7.28	+18.49	+12.00	+7.46	+10.00
Average								+13.03
# responses	12	6	8	4	5	4	8	47

B. Net Value of Loans Outstanding

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+120.49%	+58.56%	+32.32%	+105.85%	+59.77%	+76.23%	+106.16%	+120.49%
Low	-28.93	-8.96	-4.00	-7.80	-3.81	-7.61	-68.69	-68.69
Typical	+21.44	+13.67	+22.45	+4.05	+20.42	+15.67	+21.74	+16.64
Average								+22.00
# responses	12	5	8	4	4	4	9	46

C. Growth in Average Size of Net Loans Outstanding

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+57.93%	+23.89	+21.02	+26.36%	+13.52%	+18.66%	+24.91%	+57.93
Low	-21.54	-13.31	+1.75	-4.82	-4.02	-0.1	-33.19	-33.19
Typical	+6.10	+5.11	+8.13	+3.46	+2.82	+8.61	+9.01	
# responses	11	5	8	4	4	4	8	44

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1983

Number of Originations in 1983	428,262 (54)
Net Value of Originations	$8,544,032,071 (51)

Average Size of Net Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	36,741	19,472	19,570	44,872	33,270	40,639	46,382	46,382
Low	5,446	6,998	10,069	7,630	15,488	16,022	5,349	5,349
Typical	17,889	12,193	16,935	15,999	28,307	23,071	22,701	--
Average								20,108
# responses	10	7	7	5	5	6	9	50

Average Size of Revolving Second Mortgage Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	$35,563	--	$15,636	--	$27,987	$28,528	--	$35,563
Low	5,468	--	10,498	--	25,232	11,347	--	$5,468
Typical	18,152	--	14,126	--	26,610	20,364	--	
Average								$19,072
# responses	4	0	3	0	2	5	0	14

Percentage of Originations that Constitute Renewals (#)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	74.31%	69.67%	76.56%	81.18%	30.45%	--	30.57%	81.18%
Low	4.88	46.27	2.44	19.68	0	--	0	0
Typical	34.39	49.42	35.29	50.43	0	14.95%	10%	--
Average								32.26
# responses	5	4	5	2	3	1	5	26

Percentage of Net Originations that are New Money ($)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	100%	100%	100%	95.99%	100%	--	100%	100%
Low	36.51	50.54	21.81	45.36	100	--	79.07	21.8%
Typical	86.37	71.41	78.42%	90.56	100	85.3%	96.50	--
Average								80.93%
# responses	8	7	6	3	2	1	6	

TABLE 6: SECOND MORTGAGE PORTFOLIO LIQUIDATION RATES , 1983

I. Net Liquidations

A. Unadjusted for Purchases and Sales
[(equals originations minus change in net outstandings)/(average net outstandings)]

	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks
High	79.98%	54.95%	52.80%	49.28%	25.26%	--	41.33%
Low	31.36	17.19	35.81	10.01	5.87	--	20.80
Typical	41.61	34.78	42.00	47.78	17.78	21.72%	33.60
# of responses	10	5	7	3	3	1	3+

B. Adjusted for Purchases and Sales, but not renewals

High	53.93%	48.80%	54.06%	--	17.78%	--	80.74%
Low	38.85	34.79	42.00	--	15.53	--	20.80
Typical	44.84	47.41	44.57	49.28	16.65	54.85%	41.33%
# of responses	7	3	5	1	2	1	3

C. Adjusted for Purchases and Sales and Renewals (Cash Liquidations)

High	39.40%	35.33%	32.13%	N.A.	--	--	53.13%
Low	30.48	28.08	13.92	N.A.	--	--	33.58
Typical	32.65	28.77	27.81	N.A.	10.23%	49.75%	43.35
# of responses	6	3	4	0	1	1	2

+ Only those mortgage banks providing "reasonable" (unadjusted values) were reported in the "unadjusted" row. Four additional mortgage banks provided numbers that implied unrealistic liquidation rates if purchases and sales were ignored -- but, of course, purchases and sales can't be ignored for most mortgage banks.

TABLE 7: Secondary Market Activity in Second Mortgages, 1983

(Number of respondents)

I. Second Mortgages Purchased

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$726,118,982 (19)	$38,216,789	+20.2% (14)
Gross Dollar Amount*	83,088,011 (3)	27,696,003	--
Number of Loans	53,803 (20)	2,690	-5.8% (17)
Average Net Loan Size per Respondent	$16,090 (17)	--	--
Net Plus Gross Total Value*	$809,206,993 (22)	36,782,136	--

II. Second Mortgages Sold

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Dollar Amount	$321,643,922 (13)	24,741,802	+17.7% (8)
Number of Loans	11,456 (11)	1,041	-9.7% (8)
Average Loan Size per Respondent	$22,272 (11)	--	

III. Second Mortgages Serviced

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$684,455,714 (14)	$48,889,694	+18.3% (11)
Number of Loans	48,009 (15)	3,201	-6.6% (11)
Average Net Loan Size per Respondent	19,923 (14)	--	
Net Plus Gross Total Value**	$684,455,714 (14)	$48,889,694	

IV. Servicing Fees on Second Mortgages

	Typical	High	Low
Total Reported Fees	$15,699,507 (8)		
As % of Net Second Mortgages Serviced	2.42% (5)	12.55%	0.61%
Per Second Mortgage Serviced	$367.26 (5)	$1,622.63	$128.54

---

* Gross values are used only for respondents who did not also report "net" data on a "net" basis.

** In this case all those reporting "gross" figures also reported "net" figures, so the total equals the "net" data total.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1983	Year-end 1982
Value of Loans Held	$573,784,482	$305,795,733
# of Loans Held	82,357	64,661
# of Holders	16	6
Typical Average Loan Size	$14,855.94	$10,735.55
Average *Size per Respondent	$15,092.16	$10,709.18

II. Revolving Loan Originations

	in 1983	in 1982
Value	$385,338,489	$60,967,336
# of Loans	23,649	5,171
# of Originatons	15	4
Typical Average Loan Size	$18,000.23	$12,954.63
Average *Size per Respondent	$19,072.32	$11,438.98

III. Percentage Growth in Revolving Second Mortgages

	Outstandings		Originations	
	#	$	#	$
High	229.4%	356.4%	+15800.0%	+34,958.1%
Low	-34.0%	-37.5%	+139.4%	+256.4%
Typical	-4.8%	+5.6%	+599.5%	+713.4%

* This average equals the sum of average loan sizes reported by each respondent divided by the number of repondents.

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

I. Adjustable Rate Second Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$1,777,041,937 (21)	55,942 (16)	$33,843.46 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718.18 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender*

	# (and %) Respondents of each type that offered ARMs		Prime Rate	T-Bill rate			T-Bond Rate, 10yr.	Other
				3mo.	6mo.	1yr.		
LBFCo.s	6	(50%)	6					
SBFCo.s	0	(0%)						
Other LFCo.s	4	(44%)	3		1		1	Co. Base Rate
Other SFCo.s	1	(17%)	1					
Commercial Banks	3	(60%)	2	1				CD rate
Thrift Institutions	5**	(71%)	1	1	3	1		FHLB Cost of Funds
Mortgage Banks	3	(23%)		1	2			FHLB Mort. Index

III. Balloon Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$435,345,122 (22)	11,457 (18)	$27,987.14 (19)	34.40% (7)	10.16% (5)
1982	180,445,862 (7)	3,072 (5)	$26,422.62 (5)	--	--

* Some lenders used multiple indexes, see Table 10.

** Includes one response received after Oct. 1

secondary markets, revolving credit, adjustable rate and balloon notes; indirect lending and the use of private mortgage insurance; second mortgage delinquency, foreclosure, and loss rates; and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, finance rates, delinquency rates, and foreclosures. The data presented was much more detailed this year than in the past surveys because of revisions in the questionnaire.

TABLE 1: CHARACTERISTICS OF NSMA QUESTIONNAIRE RESPONDENTS, 1984

Finance Companies, total				34
Finance Companies Affiliated with Commercial Banks			19	
Holders of over $100 million in seconds (LBF Co.)		12		
Domestic	11			
Foreign	1			
Holders of under $100 million in seconds (SBF Co.)		7		
Other Finance Companies			15	
Holders of over $100 million in seconds (LF Co.)		9		
Holders of under $100 million in seconds (SF Co.)		6		
Commercial Banks				5
Thrift Institutions (Savings & Loans and Savings Banks, including commercial bank subsidiaries)				6
Mortgage Bankers and Related Institutions -- including subsidiaries of banks, thrifts, and others				13
Self-defined mortgage banks			11	
Mortgage "broker" servicing seconds			1	
Issuer of Mortgage-backed securities			1	
TOTAL *				58

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* Includes all responses providing numeric dated that were received before Oct. 1, 1984. Another savings & loan second mortgage originator responded subsequently. An additional half dozen responses were received from title insurance companies, mortgage insurors, and credit reporting agencies which did not contain numeric data.

TABLE 2: KEY SUMMARY STATISTICS ON 1983 SECOND MORTGAGE ACTIVITY

A. Second Mortgages Outstanding at Year-End 1983		
1. Number of Second Mortgages Outstanding	1,114,841	(54)
2. Net* Value of Second Mortgages Outstanding	$16,895,958,872	(55)
3. Average Size of Second Mortgages Outstanding	15,156	(**)
B. Second Mortgage Originations, 1983		
1. Number of Second Mortgages Originated	428,262	(54)
2. Net* Value of Second Mortgage Originated	$8,544,032,701	(55)
3. Average Size of Second Mortgage Originations	19,950	(**)
C. Second Mortgage Foreclosures and Chargeoffs in 1983		
1. Number of foreclosures	4,020	(36)
2. Value of Second Mortgages Foreclosed	$86,028,626	(37)
3. Gross Chargeoffs	68,571,594	(44)
4. Net Chargeoffs	$43,612,392	(44)
D. Foreclosure Data Reported on NSMA Membership Renewal and Application Forms		
1. Foreclosures in 1983	4,908	(71)
2. Number of Foreclosures as % of 1983 Outstandings		
a. Average for all respondents	0.44%	
b. Typical (median) response	0.55%	

* These figures may be overstated by a minor amount. In a few instances, "net" data were not available and "gross" figures were substituted -- but the differences were generally small.

** Average size data are obtained by dividing line 2 by line 1; Since the number of reporters differs, they are not very accurate. Average loan sizes computed from 79 membership application and renewal forms were: outstandings, $15,820; originations, $21,109.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1983

1983 Rates Charged	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks	Full Sample
LOAN RATES								
Highest Rate	24.00	27.50	36.00	29.00	16.14	20.73	38.00	38.00%
Lowest Rate	12.00	13.50	12.00	14.75	12.00	10.91	12.50	10.91
Typical Avg Rate	16.00	19.95	17.58	19.50	14.50	12.89	14.77	
Overall Average Rate								17.12%
LOAN/VALUE RATIOS								
Average Ratio of Loan to Appraised Equity								
HIGH	80.00	80.00	--	80.00	77.50	80.00	82.00	82.00%
LOW	70.00	65.00	--	70.00	65.00	61.21	65.00	61.21
TYPICAL	75.00	72.50	70.00	75.00	70.00	69.00	75.00	
AVERAGE								72.21%
Maximum Ratio of All Mortgages to Appraised Value of Property								
HIGH	100.00	85.00	90.00	85.00	80.00	90.00	95.00	100.00%
LOW	60.00	80.00	72.50	75.00	75.00	75.00	75.00	60.00
TYPICAL	82.50	80.00	77.50	80.00	75.00	82.50	85.00	
AVERAGE								81.30%
MATURITY								
Average Written Maturity of New Loans								
HIGH	161.00	102.50	150.00	90.00	180.00	96.00	260.00	260 mo.
LOW	60.00	60.00	82.00	81.00	84.00	24.00	37.00	24
TYPICAL	120.00	76.00	119.24	84.00	124.50	116.16	120.00	
AVERAGE								111.92mo.
Average Actual Maturity of New Loans								
HIGH	120.00	102.50	--	72.00	84.00	216.00	144.00	216 mo.
LOW	36.00	60.00	--	72.00	84.00	52.00	37.00	36
TYPICAL	60.00	77.55	40.00	72.00	84.00	90.00	60.00	
AVERAGE								79.09mo.
PERCENT OF SECOND MORTGAGES USED FOR PURCHASE MONEY								
HIGH	95.0%	0	13.40%	0	15.0%	5.0%	24.0%	95.0%
LOW	0	0	0	0	0	5.0	0	0
TYPICAL	7.5%	0	0.35%	0	7.5	5.0	0	
# OF RESPONSES	8	2	4	1	2	2	7	26
AVERAGE SIZE OF LOANS MADE IN LAST QUARTER OF 1983								
Loans to Households								
HIGH	$36,802	14,366	22,457	39,230	43,757	19,385	129,000	$129,000
LOW	10,831	4,855	14,113	14,897	21,824	15,734	7,628	4,855
TYPICAL	18,369	12,733	18,440	18,203	31,057	17,560	20,163	
# OF RESPONSES	9	5	5	4	4	2	9	38
Loans to Business								
HIGH	114,796	NA	--	--	NA	NA	56,951	$682,800
LOW	26,370	NA	--	--	NA	NA	19,231	19,231
TYPICAL	65,850	NA	84,806	682,800	NA	NA	--	--
# OF RESPONDENTS	4	0	1	1	0	0	2	8
NUMBER (AND PERCENTAGE) OF RESPONDENTS REQUIRING PRIVATE MORTGAGE INSURANCE ON SOME LOANS								
	1 (8%)	0 (0%)	4 (44%)	2 (33%)	1 (20%)	2 (33%)	3 (23%)	13 (22%)

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1983

I. Growth in Originations

A. Number of Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+148.13%	+104.29%	+59.33%	+29.94%	+328.57%	+301.34%	+441.12%	+441.12%
Low	-17.65	-31.27	+0.44	-38.92	-37.47	-22.24	-52.05	-52.05
Typical	+22.56	+31.30	+32.06	+5.56	-1.91	+42.04	+25.99	+24.13
Average								+44.57
# responses	10	7	7	4	4	4	11	47

B. Net Value of Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+46.16%	+111.86%	+109.53%	+63.05%	+387.85%	+91.70%	+442.14%	+442.14%
Low	-30.25	-33.56	+15.38	+5.63	-40.13	-28.67	-52.63	-52.63
Typical	+41.88	+51.05	+45.79	+10.14	+150.36	+30.05%	+49.80	+41.87
Average								+71.52
# responses	9	6	7	4	4	3	8	42

C. Growth in Average Size of Net Loans Originated

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+43.99%	+23.24%	+58.66%	+72.94%	+20.07%	+17.61%	+23.75%	+72.94%
Low	-48.05	-3.32	+9.71	+3.23	-9.79	-8.27	-33.16	-48.05
Typical	+22.10	+7.22	+14.88	+14.49	-4.25	+7.40	+10.69	
# responses	8	6	7	4	3	3	7	38

II. Growth in Net Outstandings

A. Number of Loans Outstanding

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+37.76%	+28.01%	+23.6%	+62.90%	+66.46%	+5967%	+147.39%	+147.39%
Low	-13.67	-17.76	-5.02	-14.75	-1.58	-22.14	-67.22	-67.22
Typical	+4.25	+9.35	+6.41	+7.28	+18.49	+12.00	+7.46	+10.00
Average								+13.03
# responses	12	6	8	4	5	4	8	47

B. Net Value of Loans Outstanding

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+120.49%	+58.56%	+32.32%	+105.85%	+59.77%	+76.23%	+106.16%	+120.49%
Low	-28.93	-8.96	-4.00	-7.80	-3.81	-7.61	-68.69	-68.69
Typical	+21.44	+13.67	+22.45	+4.05	+20.42	+15.67	+21.74	+16.64
Average								+22.00
# responses	12	5	8	4	4	4	9	46

C. Growth in Average Size of Net Loans Outstanding

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	+57.93%	+23.89	+21.02	+26.36%	+13.52%	+18.66%	+24.91%	+57.93
Low	-21.54	-13.31	+1.75	-4.82	-4.02	-0.1	-33.19	-33.19
Typical	+6.10	+5.11	+8.13	+3.46	+2.82	+8.61	+9.01	
# responses	11	5	8	4	4	4	8	44

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1983

Number of Originations in 1983	428,262 (54)
Net Value of Originations	$8,544,032,071 (51)

Average Size of Net Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	36,741	19,472	19,570	44,872	33,270	40,639	46,382	46,382
Low	5,446	6,998	10,069	7,630	15,488	16,022	5,349	5,349
Typical	17,889	12,193	16,935	15,999	28,307	23,071	22,701	--
Average								20,108
# responses	10	7	7	5	5	6	9	50

Average Size of Revolving Second Mortgage Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	$35,563	--	$15,636	--	$27,987	$28,528	--	$35,563
Low	5,468	--	10,498	--	25,232	11,347	--	$5,468
Typical	18,152	--	14,126	--	26,610	20,364	--	
Average								$19,072
# responses	4	0	3	0	2	5	0	14

Percentage of Originations that Constitute Renewals (#)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	74.31%	69.67%	76.56%	81.18%	30.45%	--	30.57%	81.18%
Low	4.88	46.27	2.44	19.68	0	--	0	0
Typical	34.39	49.42	35.29	50.43	0	14.95%	10%	--
Average								32.26
# responses	5	4	5	2	3	1	5	26

Percentage of Net Originations that are New Money ($)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers	Overall
High	100%	100%	100%	95.99%	100%	--	100%	100%
Low	36.51	50.54	21.81	45.36	100	--	79.07	21.8%
Typical	86.37	71.41	78.42%	90.56	100	85.3%	96.50	--
Average								80.93%
# responses	8	7	6	3	2	1	6	

TABLE 6: SECOND MORTGAGE PORTFOLIO LIQUIDATION RATES , 1983

I. Net Liquidations

A. Unadjusted for Purchases and Sales
[(equals originations minus change in net outstandings)/(average net outstandings)]

	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks
High	79.98%	54.95%	52.80%	49.28%	25.26%	--	41.33%
Low	31.36	17.19	35.81	10.01	5.87	--	20.80
Typical	41.61	34.78	42.00	47.78	17.78	21.72%	33.60
# of responses	10	5	7	3	3	1	3+
B. Adjusted for Purchases and Sales, but not renewals							
High	53.93%	48.80%	54.06%	--	17.78%	--	80.74%
Low	38.85	34.79	42.00	--	15.53	--	20.80
Typical	44.84	47.41	44.57	49.28	16.65	54.85%	41.33%
# of responses	7	3	5	1	2	1	3
C. Adjusted for Purchases and Sales and Renewals (Cash Liquidations)							
High	39.40%	35.33%	32.13%	N.A.	--	--	53.13%
Low	30.48	28.08	13.92	N.A.	--	--	33.58
Typical	32.65	28.77	27.81	N.A.	10.23%	49.75%	43.35
# of responses	6	3	4	0	1	1	2

+ Only those mortgage banks providing "reasonable" (unadjusted values) were reported in the "unadjusted" row. Four additional mortgage banks provided numbers that implied unrealistic liquidation rates if purchases and sales were ignored -- but, of course, purchases and sales can't be ignored for most mortgage banks.

TABLE 7: Secondary Market Activity in Second Mortgages, 1983

(Number of respondents)

I. Second Mortgages Purchased

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$726,118,982 (19)	$38,216,789	+20.2% (14)
Gross Dollar Amount*	83,088,011 (3)	27,696,003	--
Number of Loans	53,803 (20)	2,690	-5.8% (17)
Average Net Loan Size per Respondent	$16,090 (17)	--	--
Net Plus Gross Total Value*	$809,206,993 (22)	36,782,136	--

II. Second Mortgages Sold

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Dollar Amount	$321,643,922 (13)	24,741,802	+17.7% (8)
Number of Loans	11,456 (11)	1,041	-9.7% (8)
Average Loan Size per Respondent	$22,272 (11)	--	

III. Second Mortgages Serviced

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$684,455,714 (14)	$48,889,694	+18.3% (11)
Number of Loans	48,009 (15)	3,201	-6.6% (11)
Average Net Loan Size per Respondent	19,923 (14)	--	
Net Plus Gross Total Value**	$684,455,714 (14)	$48,889,694	

IV. Servicing Fees on Second Mortgages

	Typical	High	Low
Total Reported Fees	$15,699,507 (8)		
As % of Net Second Mortgages Serviced	2.42% (5)	12.55%	0.61%
Per Second Mortgage Serviced	$367.26 (5)	$1,622.63	$128.54

---

* Gross values are used only for respondents who did not also report "net" data on a "net" basis.

** In this case all those reporting "gross" figures also reported "net" figures, so the total equals the "net" data total.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1983	Year-end 1982
Value of Loans Held	$573,784,482	$305,795,733
# of Loans Held	82,357	64,661
# of Holders	16	6
Typical Average Loan Size	$14,855.94	$10,735.55
Average *Size per Respondent	$15,092.16	$10,709.18

II. Revolving Loan Originations

	in 1983	in 1982
Value	$385,338,489	$60,967,336
# of Loans	23,649	5,171
# of Originatons	15	4
Typical Average Loan Size	$18,000.23	$12,954.63
Average *Size per Respondent	$19,072.32	$11,438.98

III. Percentage Growth in Revolving Second Mortgages

	Outstandings		Originations	
	#	$	#	$
High	229.4%	356.4%	+15800.0%	+34,958.1%
Low	-34.0%	-37.5%	+139.4%	+256.4%
Typical	-4.8%	+5.6%	+599.5%	+713.4%

---

* This average equals the sum of average loan sizes reported by each respondent divided by the number of repondents.

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

I. Adjustable Rate Second Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$1,777,041,937 (21)	55,942 (16)	$33,843.46 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718.18 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender*

	# (and %) Respondents of each type that offered ARMs		Prime Rate	T-Bill rate			T-Bond Rate, 10yr.	Other
				3mo.	6mo.	1yr.		
LBFCo.s	6	(50%)	6					
SBFCo.s	0	(0%)						
Other LFCo.s	4	(44%)	3		1		1	Co. Base Rate
Other SFCo.s	1	(17%)	1					
Commercial Banks	3	(60%)	2	1				CD rate
Thrift Institutions	5**	(71%)	1	1	3	1		FHLB Cost of Funds
Mortgage Banks	3	(23%)		1	2			FHLB Mort. Index

III. Balloon Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$Value	# of Loans		$Value	# of Loans
1983	$435,345,122 (22)	11,457 (18)	$27,987.14 (19)	34.40% (7)	10.16% (5)
1982	180,445,862 (7)	3,072 (5)	$26,422.62 (5)	--	--

* Some lenders used multiple indexes, see Table 10.

** Includes one response received after Oct. 1

TABLE 10: RATE INDICES USED TO ADJUST SECOND MORTGAGE ARM'S IN 1983

I. BANKS

A. 3mo. CD rate in secondary market (80% of all loans) or prime, as advertised in NY Times.
B. Wall Street Prime
C. Average auction rate for U.S. Treasury bills

II. THRIFTS

A. Revolving rates based on prime
A. Closed mortgage rates based on 1-year T-bills
B. 6 month T-bill
C. 91 day T-bill plus 4%
D. 6 month T-bill
E. 6 month average of weekly auction rates of 6-mo. T-bills
F. Eleventh District FHLBB Cost of Funds Index

III. MORTGAGE BANKS

A. 3 month T-bill
A. Federal Home Loan Mortgage Index
B. 6-month T-bills
C. 6 month T-bills

IV. LARGE FINANCE COMPANIES

A. The company's base market rate
B. Two indices: (1) based on the change of the 6-month T-bill rate with the base being the rate at the time the loan was originated; (2) based on the change of the weighted average of 2 components -- 6 month T-bill and 10-year T-bond rates -- with the base being the rates at the time the loan was originated.
C. Prime Rate
D. Some rates vary with U.S. Prime Rate
E. Prime Rate

V. SMALLER FINANCE COMPANIES

A. Fixed percentage above prime lending rate

LARGE BANK-AFFILIATED FINANCE COMPANIES

A. Based upon prime lending rate
B. Average prime rate of NY City Banks, as published in the Wall Street Journal
C. Prime Rate
D. U.S. National Bank's Prime Rate
E. Clearing Bank lending rate
F. Citibank Prime

TABLE 11: INDIRECT LENDING AND SUBORDINATION OF SECOND MORTGAGE DEBT

I. Indirect Lending as Percentage of Total Loan Value

	Outstanding	Originated
High	100%	100%
Low	0%	0%
Typical	0%	0%
# good responses	15	26
# 100% direct	10	16

Non-zero responses by:

C. Banks - 1:100% indirect	M. Banks - 1:100%
LBF Co's - 3:44%,35%,21% indirect	LBF Co's - 3:5.9%, 16.7%, 100%
LFCo's - 1:100% indirect	LBF Co's - 3:5%, 11.1%, 42.3%
	SBF Co's - 3:0.4%, 15.7%, 100%

II. Percent of Second Mortgages taken as:

	First Lien ($)	First Lien ($)	Third or Greater Lien ($)	Third or Greater Lien ($)	Second Lien ($)
High	38.84%	35.42%	10.99%	13.02%	100%
Low	0	0	0	0	61.16
Typical	0	0	0	0	100%
# responses	15	16	15	16	15
# non-zero or 100% responses	6	6	2	2	6

TABLE 12: LENDERS'POLICIES REGULATING THE USAGE OF PRIVATE MORTGAGE INSURANCE POLICIES

(Each letter refers to one response by a lender of the indicated type.)

I. BANKS

A. All loans exceeding 65% LTV require PMI down to 65% LTV or minimum 25% coverage

II. THRIFTS

A. None
B. Required on all loans over 75% CLTV; Maximum 90%
C. All loans with LTV over 80% and business for self loans over 50% LTV must have PMI coverage.

III. MORTGAGE BANKS

A. When total mortgage encumbrance to value exceeds 80% on owner occupied property, we can go to 90% with PMI. On non-owner occupied property, when total mortgage encumbrance exceeds 70%, we can go to 80% with PMI.
B. Will write as required by investor policy
C. If we can get it, we will.
D. LTV of 65% to 80% = 25% PMI coverage: LTV of 80.01% to 90% = 100% PMI coverage

IV. LARGE FINANCE COMPANIES

A. PMI is required on all 2nd mortgages where the LTV ratio is greater than 75%; however, even with PMI, the maximum LTV ratio is 85%.
B. Life, disability, household contents, dwelling, and real estate loan coverage is sold wherever permitted by state law and within confines of company policy.
C. Insure loans exceeding 80% CLTV, down to 70% appraised value.
D. Insure to a level 5% below our standard guideline

V. SMALL FINANCE COMPANIES

A. Loans with loan to value ratio above 70% are insured down to 65%
B. Residential loan with CLTV of more than 80% -- non-owner occupied with CLTV of more than 65%.

VI. LARGE BANK FINANCE COMPANIES

A. PMI no longer required
B. The certificate cannot insure more than 80% of the original principal balance of a loan with a combined loan to value between 75% and 85%, 50% coverage on loans with a CLTV between 65% and 75%, with a minimum amount financed of $10,000 and a maximum of $150,000. The minimum maturity is 60 months and the maximum is 180 months.

TABLE 13: SECOND MORTGAGE DELINQUENCY RATES, YEAR-END 1983

	Bank Fin. Co. Large Holders	Bank Fin. Co. Smaller Holders	Other Fin. Co. Large Holders	Other Fin. Co. Small Holders	Commerical Banks	Thrifts	Mortgage Banks	All Respondents
Total Delinquencies over 60 days ($1)								
High	5.84%	10.58%	4.73%	19.27%	0.62%	1.89%	22.67%	22.67%
Low	0.99	0.27	0.72	0	0	0.29	0	0
Typical	2.44	0.95	2.76	3.13	0.35	1.31	0.50	2.42
# Respondents	11	5	5	3	3	3	6	36
Total Delinquencies Over 60 Days (#)								
High	5.95%	10.04%	6.04%	19.27%	0.59%	1.94%	18.58%	19.27%
Low	1.16	0.90	0.74	3.98	0	0.33	0	0
Typical	2.62	3.22	3.02	5.04	0.08	1.10	0.17	3.12
# respondents	11	5	5	4	3	3	5	36
Delinquencies From 60-89 Days Overdue ($)								
High	1.46	2.71	1.43%	13.96%	0	0.37%	2.81%	13.96%
Low	0.21	0.26	0.30	0.65	0	.20	0	0
Typical	0.57	0.68	0.42	1.79	0	0.24	0.20	0.50
# respondents	11	5	4	4	3	3	6	36
Delinquencies from 60-89 Days (#)								
High	2.06%	1.27%	1.83%	13.98%	0.07%	0.38%	1.15%	13.98%
Low	0.20	0.32	0.27	0.96	0	0.20	0	0
Typical	0.58	0.60	0.51	1.02	0.03	0.27	0.06	0.59
# respondents	11	5	4	3	3	3	5	34

* Because some mortgage banks reported delinquencies on serviced loans, extremly high reported delinquency rates were omitted from this category.

NOTE: "Large holders' hold more than $100 million in second mortgage net oustandings, "small holders" hold less than $100 million in second mortgages.

TABLE 20: PROFITABILITY OF SECOND MORTGAGE LENDERS, 1983

PRETAX INCOME AS % OF AVERAGE EQUITY

For Second Mortgages Only

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High		84.26%					47.82%
Low		24.25					41.62
Typical	41.55%	54.25	22.76%				44.72
#	1	2	1		0	0	2

For Full Portfolio

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	79.41%	108.42%	31.55%	22.34%			126.15%
Low	11.73	23.17	1.29	6.62			41.62
Typical	29.74	29.47	20.25	13.64	14.30		51.34
#	9	5	6	4	1	0	5

PRETAX INCOME AS % OF AVERAGE OUTSTANDINGS

For Second Mortgages Only

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	10.32%	7.58%					57.38%
Low	0.17	3.65					4.18
Typical	5.80	5.47	3.32%	3.19%	2.02%		30.78
#	3	3	1	1	1	0	2

For Full Portfolio

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	21.84%	73.47%	7.21%	3.84%			57.38%
Low	0.26	3.65	0.40	2.62			4.18
Typical	4.48	5.40	3.18	3.32	11.29%		10.51
#	10	6	6	3	1	0	4

TABLE 21: INTEREST INCOME AND EXPENSE OF SECOND MORTGAGE LENDERS, 1983

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
Gross Interest Income as Percent of Average Second Mortgage Receivables							
High	20.42%	23.66%	23.16%	18.05%	20.44%		15.86%
Low	15.15	17.65	16.11	16.35	13.05		9.84
Typical	18.13	18.36	18.95	17.20	16.77%		14.09
#	4	3	6	2	2	0	6
Average Portfolio Outstandings							
High	21.01%	29.70%	23.67%	24.94%			19.26%
Low	11.47	20.38	15.91	17.39			13.62
Typical	18.31	23.92	20.54	21.00	13.35%	16.21%	15.00
#	9	5	7	3	1	1	6
Gross Interest Expense as % of Borrowings to Carry Second Mortgages							
High	12.19%	12.04%	10.88%				12.26%
Low	10.45	9.53	4.76				8.50
Typical	11.41	10.79	8.00			18.44%	10.87%
#	4	2	3	0	0	1	3
Total Borrowings							
High	12.23	12.38%	14.14%	11.81%	12.54%		18.05%
Low	9.18	9.46	4.76	11.01	3.58		8.50
Typical	11.03	10.61	9.62	11.51	8.06		11.81
#	9	6	7	3	2	0	5

TABLE 22: SECOND MORTGAGE LENDERS' REVENUES, 1983

Total Revenues Related to Second Mortgages/Average Net Second Mortgage Holdings

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	20.61%	24.27%	23.31%	23.75%			59.20%
Low	15.82	18.91	16.20	16.76			12.75
Typical	16.99	18.92	19.46	20.26	14.07%		16.26
#	3	3	6	2	1		6

Total Revenues/Average Net Portfolio Holdings

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	47.17%	123.66%	26.24%	27.45%			59.20%
Low	11.68	23.50	15.97	18.43			14.24
Typical	21.50	29.54	21.30	26.69	14.69%	17.40%	33.99
#	10	6	7	3	1	1	5

Sources of Income, Typical Values (#of respondents)

	Gross Interest		Service Fees		
	% of Avg Net Seconds Held	% of Avg Portfolio Holdings	% of Avg. Net Seconds Held	% of Avg. Portfolio Holdings	% of Net Seconds Serviced
LBFCo's	18.13% (4)	18.31% (9)	0% (3)	0% (2)	(0)
SBFCo's	18.36 (3)	23.92 (5)	0.51 (1)	0.13 (2)	(0)
LFCo's	18.95 (6)	20.54 (7)	0 (5)	0 (5)	0% (2)
SFCo's	17.20 (2)	21.00 (3)	0 (3)	0.03 (3)	4.22 (1)
CBanks	16.77 (2)	13.35 (1)	0.59 (1)	0.05 (1)	(0)
Thrifts	(0)	16.21 (1)	1.50 (1)	(0)	12.55 (1)
M.Banks	14.09 (6)	15.00 (6)	2.20 (5)	7.58 (4)	0.48 (4)

	Origination Fees			Insurance & Other Revenues		
	% of Avg Net Seconds Held	% of Avg Net Port. Holdings	% of Avg Net Seconds Originated	% of Avg. Net Seconds Held	% of Avg. Net Port. Holdings	% of Net Seconds Originated
LBFC's	0.62% (2)	0.42% (2)	1.16% (2)	0.21% (2)	1.00% (9)	0.55% (2)
SBFC's	0.55 (2)	0.25 (3)	1.19% (2)	0.78 (1)	3.40 (1)	1.63 (1)
LFCo's	0.55 (3)	0.65 (3)	1.28 (3)	1.49 (1)	0.71 (5)	0.24 (1)
SFCo's	0 (1)	0 (1)	0 (1)	0.65 (1)	0.76 (3)	5.79 (1)
CBanks	0.37 (1)	0.40 (1)	1.34 (2)			
Thrifts	0.55 (2)	0.74 (1)	1.46 (1)	0.06 (1)	0.45 (1)	0.17 (1)
M.Banks	3.55 (6)	5.31 (5)	1.27 (7)	0.31 (5)	0.31 (5)	0.49 (5)

TABLE 23: KEY STATE DATA 1983

(Number of Respondents for Each Item is Given in Parentheses)

STATE	(1) Total Reported Outstandings	(2) Total Reported Originations	(3) Average APR	(4) Average 60 60 day + Delinquency Rate	(5) Number of Foreclosures
1.Alabama	$171,447,122 (13)	$90,455,817 (12)	17.88% (8)	1.88% (9)	20 (5)
2.Alaska	1,802,000 (1)	1,029,829 (1)	19.44 (1)	0.27 (1)	- -
3.Arizona	361,029,507 (13)	150,795,874 (11)	16.33 (10)	2.10 (10	150 (5)
4.Arkansas					
5.California	2,473,708,373 (15)	1,005,804,210 (13)	17.35 (10)	2.91 (12)	584 (9)
6.Colorado	473,336,143 (13)	206,187,341 (11)	17.18 (10)	2.06 (11)	117 (7)
7.Connecticut	92,445,891 (9)	48,681,922 (7)	16.95 (7)	1.31 (8)	14 (3)
8.Delaware	31,671,248 (9)	16,269,030 (7)	18.40 (5)	1.10 (5)	1 (2)
9.Florida	607,034,054 (17)	258,515,318 (15)	16.52 (12)	2.15 (11)	146 (9)
10.Georgia	167,574,611 (14)	63,018,836 (13)	19.05 (11)	0.66 (8)	11 (6)
11.Hawaii	40,191,000 (2)	22,605,160 (2)	16.56 (2)	1.10 (2)	
12.Idaho	36,930,326 (8)	17,154,280 (6)	18.26 (6)	3.42 (7)	5 (2)
13.Illinois	182,661,008 (11)	93,794,552 (9)	18.24 (7)	3.25 (8)	5 (5)
14.Indiana	200,744,362 (13)	100,642,700 (10)	18.50 (6)	3.56 (10)	34 (6)
15.Iowa	77,019,763 (7)	31,730,365 (60	18.23 (5)	3.77 (6)	11 (1)
16.Kansas	108,397,681 (11)	41,251,901 (9)	17.97 (7)	2.98 (9)	37 (3)
17.Kentucky	32,209,490 (12)	17,461,892 (10)	19.91 (7)	1.28 (9)	2 (3)
18.Louisiana	159,772,100 (14)	65,505,821 (12)	18.29 (9)	2.74 (10)	45 (7)
19.Maine					
20.Maryland	243,339,504 (12)	112,462,521 (11)	17.90% (9)	1.10% (10)	4 (5)
21.Massachusetts	92,629,026 (9)	68,126,660 (8)	17.26 (6)	1.68 (6)	
22.Michigan	20,097,804 (3)	19,192,914 (4)	20.49 (2)	0.34 (3)	0 (1)
23.Minnesota	100,826,547 (8)	67,656,093 (7)	17.28 (6)	2.39 (7)	2 (2)
24.Mississippi	76,676,308 (11)	33,043,009 (10)	19.36 (6)	3.48 (7)	6 (4)

25.Missouri	86,628,005 (9)	41,118,982 (7)	17.97 (6)	2.46 (8)	20 (2)
26.Montana	14,440,014 (4)	10,082,559 (6)	17.18 (3)	3.00 (4)	4 (1)
27.Nebraska	23,654,277 (5)	3,421,964 (5)	19.58 (4)	3.59 (5)	4 (1)
28.Nevada	33,850,548 (5)	19,282,438 (5)	16.34 (4)	1.56 (5)	1 (2)
29.New Hampshire	45,082,536 (5)	20,898,660 (4)	17.33 (3)	1.94 (4)	2 (1)
30.New Jersey	396,021,359 (10)	206,637,385 (8)	16.28 (6)	1.90 (8)	48 (5)
31.New Mexico	43,926,004 (9)	21,747,362 (8)	17.99 (7)	1.36 (8)	12 (3)
32.New York	203,955,073 (11)	139,288,775 (10)	17.24 (7)	1.11 (10)	21 (5)
33.North Carolina	303,356,460 (12)	107,384,698 (10)	17.41 (8)	0.43 (9)	40 (7)
34.North Dakota	21,000 (1)	8,006 (1)		0 (1)	
35.Ohio	527,276,319 (12)	296,332,079 (10)	17.59 (8)	2.29 (11)	60 (5)
36.Oklahoma	196,864,739 (13)	106,043,794 (11)	18.03 (9)	2.22 (10)	37 (5)
37.Oregon	131,599,003 (11)	52,485,623 (9)	17.01% (8)	3.24% (10)	81 (5)
38.Pennsylvania	528,354,206 (13)	275,674,503 (12)	19.28 (9)	2.13 (12)	30 (7)
39.Rhode Island	19,720,337 (5)	12,546,112 (5)	17.37 (3)	0.99 (4)	
40.South Carolina	183,441,716 (14)	99,639,539 (12)	18.12 (10)	0.86 (9)	23 (7)
41.South Dakota	6,248,826 (4)	2,133,035 (3)	18.58 (3)	3.90 (4)	2 (1)
42.Tennessee	138,409,720 (12)	68,531,359 (10)	17.63 (8)	1.35 (6)	29 (5)
43.Texas	66,012,968 (10)	52,570,102 (10)	13.85 (6)	0.21 (5)	2 (3)
44.Utah	90,044,264 (10)	42,801,931 (9)	17.13 (8)	12.13 (8)	126 (4)
45.Vermont	2,159,000 (1)		20.60 (1)	1.60 (1)	
46.Virginia	287,150,158 (13)	116,729,632 (11)	17.41 (8)	1.02 (10)	17 (7)
47.Washington	136,719,873 (9)	76,766,452 (7)	17.87 (6)	2.44 (9)	10 (4)
48.West Virginia	23,929,165 (7)	14,160,704 (4)	18.27 (3)	3.26 (6)	6 (2)
49.Wisconsin	146,360,919 (9)	97,325,768 (8)	18.18 (7)	2.51 (7)	11 (3)
50.Wyoming	24,015,116 (5)	5,157,575 (3)	18.04 (3)	4.59 (4)	
51.Washinton D.C.	9,357,320 (2)	5,166,000 (2)	14.57 (2)	3.35 (1)	2 (1)
52.Ontario	1,540,900 (1)	1,223,200 (1)	20.00 (1)		
53.Puerto Rico	59,500 (1)			0.0 (1)	0 (1)

TABLE 24A: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Ratio of Property Sold to Foreclosures	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings
1.Alabama	55.85% (11)	127.52% (9)	80.77% (2)	0.68% (5)	89.38% (10)
2.Alaska	57.15% (1)	128.79% (1)	----------	---------	9.95% (1)
3.Arizona	54.99% (11)	97.34% (11)	78.77% (5)	2.37% (5)	108.02% (11)
4.Arkansas	-----------	-----------	----------	---------	-----------
5.California	42.57% (12)	84.74% (12)	59.16% (6)	2.13% (7)	169.91% (12)
6.Colorado	55.75% (11)	112.91% (11)	88.43% (6)	2.50% (7)	102.77% (11)
7.Connecticut	50.40% (6)	96.65% (6)	65.39% (2)	0.85% (3)	93.17% (7)
8.Delaware**	80.32% (6)**	180.65% (6)**	100.00% (1)	0.22% (2)	41.14% (6)
9.Florida	40.16% (14)	85.79% (13)	241.76% (6)	1.28% (7)	99.92% (13)
10.Georgia	49.63% (12)	75.31% (9)	83.33% (3)	0.66% (6)	31.02% (9)
11.Hawaii	46.26% (2)	79.98% (2)	----------	---------	48.54% (2)
12.Idaho	57.55% (6)	112.12% (6)	312.50% (2)	1.20% (2)	131.24% (7)
13.Illinois	61.29% (7)	122.71% (7)	----------	1.61% (5)	125.99% (8)
14.Indiana	52.75% (9)	91.56% (8)	175.13% (3)	1.47% (5)	140.12% (11)
15.Iowa	57.97% (6)	104.40% (6)	54.55% (1)	2.20% (1)	186.49% (6)
16.Kansas	53.55%s(7)	93.18% (5)	73.33% (3)	2.16% (3)	143.07% (8)
17.Kentucky	66.83% (10)	127.82% (9)	200.00% (1)	0.24% (3)	113.40% (9)
18.Louisiana	46.68% (11)	81.53% (10)	89.22% (4)	2.66% (6)	135.14% (10)

TABLE 24B: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Ratio of Property Sold to Foreclosures	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings
19.Maine	-----------	-----------	----------	---------	------------
20.Maryland	64.02% (10)	120.27% (10)	300.00% (1)	0.39% (4)	47.83% (9)
21.Massachuset	73.97% (7)	144.65% (8)	60.00% (1)	0.95% (2)	40.02% (8)
22.Michigan	91.51% (3)	171.44% (3)	----------	0.00% (1)	13.60% (3)
23.Minnesota	93.79% (7)	170.44% (7)	50.00% (1)	0.53% (2)	110.27% (7)
24.Mississippi	46.10% (10)	67.48% (9)	162.50% (4)	0.55% (3)	162.68% (6)
25.Missouri	52.20% (6)	96.20% (6)	170.00% (1)	0.88% (2)	124.81% (7)
26.Montana	53.75% (4)	96.84% (4)	150.00% (1)	1.87% (1)	131.19% (3)
27.Nebraska	64.36% (4)	124.23% (4)	75.00% (1)	8.09% (1)	192.57% (3)
28.Nevada	55.55% (5)	103.48% (5)	100.00% (1)	0.08% (2)	79.50% (4)
29.New Hampshire	53.26% (3)	103.16% (3)	200.00% (1)	0.24% (1)	80.24% (3)
30.New Jersey	54.03% (6)	112.20% (6)	110.23% (2)	0.22% (3)	99.12% (6)
31.New Mexico	61.45% (7)	123.70% (7)	33.33% (1)	1.00% (3)	48.87% (7)
32.New York	62.43% (6)	121.93% (6)	100.00% (1)	0.11% (3)	69.31% (7)
33.North Carolina	44.51% (10)	85.90% (7)	150.51% (3)	0.53% (7)	22.41% (8)
34.North Dakota	38.12% (1)	85.91% (1)	----------	---------	0.00% (1)
35.Ohio	58.14% (9)	103.29% (9)	156.80% (3)	0.81% 94)	100.12% (10)
36.Oklahoma	65.58% (10)	115.22% (9)	20.35% (4)	1.22% (5)	113.03% (9)

TABLE 24C: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Ratio of Property Sold to Foreclosures	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings
37.Oregon	45.82% (9)	103.43% (9)	83.75% (3)	2.55% (5)	168.16% (10)
38.Pennsylvania	63.84% (10)	126.04% (10)	50.29% (3)	0.47% (6)	80.63% (10)
39.Rhode Island	61.98% (5)	113.58% (5)	----------	---------	41.70% (3)
40.South Carolina	65.82% (12)	119.03% (9)	101.92% (5)	0.77% (6)	42.88% (10)
41.South Dakota	32.78% (3)	75.81% (3)	100.00% (1)	2.41% (1)	95.08% (4)
42.Tennessee	58.05% (8)	96.99% (5)	80.94% (5)	1.46% (5)	74.91% (6)
43.Texas	60.21% (8)	103.97% (7)	100.00% (1)	0.32% (2)	13.24% (5)
44.Utah	52.53% (9)	100.46% (9)	82.73% (4)	4.59% (4)	540.36% (8)
45.Vermont	----------	----------	----------	---------	27.92% (1)
46.Virginia	56.26% (10)	110.36% (9)	115.67% (5)	0.91% (6)	51.39% (9)
47.Washington	66.13% (7)	146.20% (7)	48.89% (3)	0.83% (4)	118.42% (8)
48.West Virginia	68.78% (4)	130.44% (4)	70.00% (2)	5.90% (2)	124.16% (5)
49.Wisconsin	62.87% (7)	126.71% (7)	70.00% (1)	0.65% (2)	92.13% (7)
50.Wyoming	34.22%	64.71% (3)	----------	---------	115.68% (5)
51.Washington D.C.	47.87%	116.73% (2)	50.00% (1)	3.77% (1)	165.14% (1)
52.Ontario	79.38% (1)	141.09% (1)	----------	---------	0.00% (1)
53.Puerto Rico	----------	----------	----------	---------	-----------

Appendix:

The 1984 NSMA

Questionnaire

NATIONAL SECOND MORTGAGE ASSOCIATION
EXECUTIVE DIRECTOR · Box 158, Center Square, Pennsylvania 19422 / (215) 277-3740
Toll Free Number Outside Pennsylvania 1-800-342-1121

*Bruce B. Felder - *President*
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*Buel Clifton - *Vice President*
Household Finance Corporation
*Robert D. Dunham - *Vice President*
Dunham Enterprises
*David Farris - *Vice President*
Beneficial Management Corporation
*Mark Schuerman - *Secretary/Treasurer*
Anaheim Savings & Loan Association

DIRECTORS
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City Consumer Services, Inc.
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Avco Mortgage Corporation
James L. Baxley
Citizens Federal Savings & Loan Association
W. F. Carter
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American Bankers Insurance Group
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Citicorp Person-To-Person, Inc.
John Hayt
DAC Corporation
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C. Stuart LaDow
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*Harold B. Rees
Commecial Credit Corporation
Al Scionti
PMI Insurance Company
William J. Sheehan, Jr.
US Creditcorp
*William D. Sullivan
Pioneer Financial Services, Inc.
*J. Grover Thomas
American Security Insurance
Stanley Zimmerman
Home Budget Loans

Perk Lodge
Executive Director
Harold B. Rees
Government Relations

*Executive Committee

RECEIVED
APR 23 1984

DATE: April 19, 1984

SUBJECT: 1984 NSMA Questionnaire

TO: NSMA Members

Attached is the NSMA Questionnaire covering 1983 activity. The questionnaire has undergone substantial remodeling this year, and we are requesting new data which reflects changes taking place in the industry. We ask that you complete as much of the questionnaire as possible even though there may be certain data that is unavailable or inapplicable to your company.

Dr. Richard Peterson is again compiling the consolidated report. In order to permit the timely compilation of this data, would you kindly send your completed questionnaire to him no later than June 1. His address is:

Dr. Richard Peterson
College of Business Administration, 903
Texas Tech University
P.O. Box 4320
Lubbock, Texas 79409

This year we have added a page of information at the state level, which we are asking that you provide for each state in which you operate. This will begin to give us some estimates of market size on a state-by-state basis in addition to our national data.

If you have any questions regarding the 1984 Questionnaire, please call Dr. Peterson at (806) 742-3365, or me at (312) 564-6287.

David D. Wesselink

DDW/lv

Attachment

NATIONAL SECOND MORTGAGE ASSOCIATION

Financial Questionnaire

Identifying number of firm ____ ____ ____ ____
(Assigned by NSMA)

Type of Firm
(check one)

☐ 1. Finance Company

☐ 2. Mortgage Banker

☐ 3. Commercial Bank

☐ 4. Savings and Loan Association

☐ 5. Mutual Savings Bank

☐ 6. Other (Specify)

____

____

____

Type of Affiliation (if any)
(check one)

☐ 1. None

☐ 2. Subsidiary of bank or bank holding company

☐ 3. Affiliate of savings and loan or mutual savings bank

☐ 4. Subsidiary of nondepository institution (specify type of institution) ______________________

____

☐ 5. Other (specify) ______________________

____

INSTRUCTIONS

1. In answering the questionnaire, show whole dollar figures. (Do not round to the nearest thousand.)

2. See definitions at the end of the questionnaire. (Definitions follow Question 29).

3. Unless stated otherwise, report dollar amounts on Net Basis.

The following information is for the fiscal year ended: (check one)

☐ December 31, 1983 or ______________________
(specify date closest to year end for which data are available)

I. Volume and Outstanding Data Indicators

1. Loans receivable outstanding and owned at end of fiscal year

	MOST RECENT FISCAL YEAR-END		PREVIOUS YEAR	
	SECOND MORTGAGE	FULL PORTFOLIO	SECOND MORTGAGE	FULL PORTFOLIO
A. Number of loans outstanding	________	________	________	________
B. Gross balances outstanding (includes precomputed finance charges plus principal balances outstanding)	________	________	________	________
C. Net balances outstanding (includes principal balance only)	________	________	________	________

D. Average loans outstanding (check one)

☐ (1) Daily

☐ (2) At beginning and end of month

☐ (3) At beginning and end of quarter

☐ (4) At beginning and end of year

☐ (5) Other (specify)

____

____

	MOST RECENT FISCAL YEAR-END		PREVIOUS YEAR	
	SECOND MORTGAGE	FULL PORTFOLIO	SECOND MORTGAGE	FULL PORTFOLIO
E. Average gross receivable outstanding	________	________	________	________
F. Average net receivable outstanding	________	________	________	________
G. Number of revolving loans outstanding	________	________	________	________
H. Balances of revolving loans outstanding	________	________	________	________

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
2. Volume of second mortgage loans originated during the fiscal year				
A. Gross Balance Outstanding	______	______	______	______
B. Net Balance Outstanding		______		______
C. Balance Renewed check if gross ☐ or net ☐	______	______	______	______
D. New Money	______	______	______	______
3. Volume of real estate secured revolving lending originated	______	______	______	______
4. Second mortgages receivable outstanding that were serviced but not owned at end of fiscal year				
A. Gross Balance Outstanding	______	______	______	______
B. Net Balance Outstanding		______		______
5. Volume of second mortgage purchased during fiscal year				
A. Gross Balance Outstanding	______	______	______	______
B. Net Balance Outstanding		______		______
6. Volume of second mortgage loans sold to other than affiliated company during the fiscal year	______	______	______	______
7. A. Volume of reported second mortgage loans where your mortgage has first position	______	______		
B. Volume of reported second mortgage loans where your mortgage has second position	______	______		
C. Volume of reported second mortgage loans where your mortgage has third position	______	______		

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
8. A. Volume of second mortgage loans where the mortgage has an adjustable rate feature				
B. What type of index is used to adjust the rate?				
C. Volume of second mortgage loans where the mortgage is a term (balloon) note, when the term is greater than one year and any loans that have a call provision.				
D. Volume of second mortgage loans where the mortgage is a fully amortized fixed rate loan				
9. Outstandings of direct and indirect loans where an indirect loan is a loan which is originated by a third party for a fee				
A. Direct loan net balance outstanding				
B. Indirect loan net balance outstanding				
10. Volume of direct and indirect loans originated				
A. Direct loan net balance originated				
B. Indirect loan net balance originated				

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE ONLY	FULL PORTFOLIO
II. Sources of Funds and Profitability		
11. Average borrowings during fiscal year (Based on average debt outstanding daily ☐; at beginning or end of each month ☐; quarter ☐; or year ☐ (check one).		
12. Average stockholders' equity during fiscal year (Based on average equity outstanding daily ☐; or at beginning and end of each month ☐; quarter ☐; or year ☐ (check one)).		
13. Interest expense for the fiscal year.		
14. Gross revenue for the fiscal year		
A. What type of income recognition method is used?		
B. Gross interest income		
C. Mortgage servicing fee income		
D. Origination fee on loans acquired for own account		
E. Brokerage fee on loans and other fee income		
F. Prepayment penalties		
G. Insurance and other non-fee revenue		
15. Income before income taxes for the fiscal year		

	SECOND MORTGAGE ONLY		
	HIGH	AVG.	LOW
16. Range of APR on loans originated during the year			

III. Contractual Delinquencies and Charge-offs

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE	
	NUMBER	UNPAID BALANCES INCLUDING LOANS AND FORECLOSURES BUT NOT OWNED
17. Contractual Analysis (Based on terms in effect at statement date and applicable to precompute, add-on, discount, and interest bearing accounts)		
A. Accounts current and with instalments past due less than 60 days		
B. Accounts past due: 60 - 89 days		
C. Accounts past due: 90 - 179 days		
D. Accounts past due: 180 days or more		
E. Total accounts delinquent over 60 days (should equal b+c+d)		
F. Total Accounts (both current & delinquent should equal a + e		
18. A. Do reported delinquent balances include real estate owned after foreclosure? ☐ Yes ☐ No.		
B. Provide number and amount of real estate owned after foreclosure.		
C. Are real estate owned after foreclosures included in outstandings? ☐ Yes ☐ No		
19. Do reported delinquent balances include unearned finance charges? ☐ Yes ☐ No. If so, provide dollar amount.		

20. Do delinquent balances apply only to fully owned loans or to serviced loans also?
☐ Includes own receivables only ☐ Includes serviced loans

21. Foreclosures

A. Define foreclosure policy

____

____

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE	
	NUMBER	UNPAID BALANCE ON LOANS
B. Total foreclosures consummated during the fiscal year including property taken by deed.	________	________
1. Property taken by deed	________	________
2. Property taken through legal process	________	________
C. Foreclosed properties liquidated	________	________
D. Property sold, number	________	________
E. Property sold, dollar amount realized from sale		________

22. Charge-offs

A. Define charge-off policy

____

____

	MOST RECENT FISCAL YEAR
	SECOND MORTGAGE
	AMOUNT
B. Gross charge-offs during fiscal year	________
C. Recoveries during fiscal year	________
D. Net charge-offs during fiscal year	________
23. Allowance (reserves for possible loan losses at end of fiscal year)	________

IV. Operating Policies

This data should be reported for the quarter ending with the end of fiscal year shown on the previous page. The data reported should relate to originated loans only, not purchased loans.

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE	
	NUMBER	DOLLAR
24. Number and dollar volume of second mortgage loans originated for personal, family or household purposes during quarter.	______	______
25. Number and dollar volume of second mortgage loans originated for other than consumer purposes.	______	______
26. Number and total dollar volume of second mortgage loans originated during the quarter (should be equal to sum of #24 and #25)	______	______
27. Estimated percent of dollar volume consisting of "purchase money" second mortgages		______
28. A. Number and dollar volume of private mortgage insured loans	______	______

B. Define private mortgage insurance policy

____

____

29. With respect to second mortgage loans made to consumers:

A. Average ratio of loan to appraised equity: ______%

B. Maximum ratio of all mortgages to appraised value of property: ______%

C. Average written maturity of new loans - dollar weighted: ______Months

D. Average actual maturity of new loans - dollar weighted: ______Months

DEFINITIONS

Reporting period - most recent fiscal year ending on or closest to December 31, 1983.

Previous year - fiscal year exactly one year prior to the reporting period.

Gross loans receivable - includes all principal loan balances due plus precomputed finance changes (unearned interest income) associated with those loans.

Net loans receivable - includes only principal loan balances due, i.e., net balances receivable equal gross balances receivable less precomputed finance charges (unearned interest income).

Volume of new loans - value of receivables originated and purchased during the period.

New money - amount of new money disbursed.

Balances renewed - preexisting balances refinanced.

Average net loans receivable - sum of net loans receivable outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Alternatively, daily average figures may be kept, or this years net receivables can be added to last years net receivables outstanding and divided by two.

Average borrowings - sum of total borrowings outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Again, daily average figures can be used, or the average of year-end debt balances can be provided.

Average stockholders equity - sum of stockholders' equity at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year.

"Purchase Money" second mortgage - second mortgage used to help finance the borrower's initial purchase of the mortgaged property.

Additonal page for NSMA questionnaire

IV. State specific data on outstandings and foreclosures

For each state in which you operate please record the following information: (if you operate in more than 3 states, please Xerox this page and provide information applicable to additional states on the Xerox copies).

	1	2	3
A. Name of state			
B. Second mortgage outstandings in state*			
C. Originations in state* during 1983			
D. Average APR for second mortgages originated			
E. Second mortgage delinquencies			
1. Number accounts delinquent over 60 days			
2. Dollar amount of accounts delinquent over 60 days			
3. % of related receivables outstanding (in dollars)			
F. 1. Number of foreclosures			
2. Dollar value of liens			
G. Foreclosed properties liquidated during 1983			
1. Total number			
2. Dollar value			
3. Property sold, number			
4. Property sold, value			

*Report outstandings and volume net of unearned interest if possible.

NATIONAL SECOND MORTGAGE ASSOCIATION

NSMA

SECOND MORTGAGE STATISTICAL SURVEY FOR THE YEAR 1984

Published by
National Second Mortgage Association
1166 DeKalb Pike, Suite 308, Center Square, PA 19422
Telephone (215) 277-3740 or 1 (800) 342-1121

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Briscoe Professor of
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December 1984

1984
SECOND MORTGAGE SURVEY

Richard L. Peterson*

ABSTRACT

This report analyzes the responses of National Second Mortgage Association (NSMA) members to requests for information on the Association's annual questionnaire. Responses to the questionnaire which were received by early August, 1985, are included in all the statistical results presented here. The two (unedited) questionnaires received in mid-August are included in approximately one-half of the tables, while the two responses received at the end of August and early September are included only in the summary totals (shown in Table 2). While not all NSMA members provided data, the questionnaire data show that the 64 respondents held $17 billion in second mortgages outstanding at year-end 1984, and serviced an additional $1.4 billion. Thus, questionnaire respondents accounted for most of the $20 billion in second mortgages outstanding and serviced reported on NSMA members' application and dues vouchers in 1985.

The questionnaire data show that growth in the second mortgage market continued in 1984, as the typical respondent reported a growth exceeding 13% in year-end net outstandings and 9% in the value of originations over 1983. Analysis of more detailed data provided on the questionnaires shows that most of the growth in second mortgage outstandings in 1984 resulted from the fact that originations exceeded repayments. While the average size of second mortgages originated typically increased by at least 5%, most lenders originated a few less second mortgages in 1984 than in 1983. However, there was substantial variation among lenders - as mortgage bankers and large finance companies affiliated with commercial banks typically originated substantially more second mortgages in 1984 than in 1983.

---

* I. Wylie and Elizabeth Briscoe Professor of Bank Management and Finance, Texas Tech University.

In addition to data on second mortgage loan balances, originations, sizes and growth, the questionnaire data provided useful insights into second mortgage renewals and cash liquidation rates, second mortgage loan terms, secondary market activity, loan delinquencies, losses and chargeoffs, and the profitability of second mortgage lending. The data also provided useful insights into second mortgage pricing, the use of private mortgage insurance, foreclosure and chargeoff policies, and adjustable rate, balloon, revolving and indirect lending.

As has been true in the past, the data indicate that NSMA members losses on second mortgage lending generally were quite low. In fact, most NSMA members foreclosure rates and delinquency rates were lower than in 1983. Typical foreclosures were only slightly more than one-third of one percent (down from one-half of one percent). Also, net chargeoffs were little more than half as large as foreclosure rates. Furthermore, total second mortgage delinquencies (of over 60 days) were typically 1½%. However, in spite of the good overall statistics, some lenders experienced serious loss and delinquency problems in 1984.

Overall, except for those lenders who incurred excessive losses, second mortgage lending was highly profitable for most lenders in 1984. The reason was that, in general, second mortgage lenders' costs of funds were substantially lower than their average portfolio yields in 1984. This was true even though downward pressure on second mortgage loan rates was quite evident in all states.

Other key data show that second mortgage cash liquidation rates averaged between 25% and 30% at most lenders. Liquidation rates unadjusted for renewals were somewhat higher, ranging from 22% to 38% or more at most lenders. Unadjusted portfolio liquidation rates were highest for institutions that refinanced a large number of loans and for institutions that sold many loans in the secondary market.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed data compiled by lender groups in each of the tables to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, savings associations (including mutual savings banks), commercial banks, bank-affiliated finance companies with large holdings of second mortgages, bank-affiliated finance companies with smaller holdings of second mortgages, non-bank finance companies with large holdings of second mortgages and non-bank finance companies with smaller holdings of second mortgages.

Second mortgage growth, loan size, delinquency and foreclosure experience also varied widely across states. The final section of this report describes interstate differences in second mortgage lending.

1984 SECOND MORTGAGE SURVEY
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1984
SECOND MORTGAGE SURVEY

Richard L. Peterson*

I. OVERVIEW

This study is part of a continuing series of studies that the National Second Mortgage Association (NSMA) has conducted of its members in order to obtain as much information as possible about the nature of the second mortgage market. The first study was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to send questionnaires to NSMA second mortgage lenders in 1979, 1980 and 1981. Summary reports compiled from those questionnaires were published by the Credit Research Center as Working Papers No. 33, 39 and 42 - which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center of Purdue University. The 1982 and 1983 studies also were prepared by the present author. Back copies of those studies are available for $10.00 each (with no postage charge) from Texas Tech University's Institute for Banking and Financial Studies, Lubbock, Texas, 79409. The 1984 report, as was the case in years past, has been prepared for distribution by the National Second Mortgage Association to its members.

The data analyzed in this report were obtained from NSMA members responses to a questionnaire mailed in mid-1985. All NSMA members were mailed detailed questionnaires to complete and return to the National Second Mortgage Association (a copy of the 1985 questionnaire is contained in the Appendix).

With the exception of Table 2, which also contains data compiled from NSMA membership application and dues voucher forms, the data reported in the paper were obtained from those questionnaires. In order to facilitate comparisons with previous years' data, this report uses the same outline and essentially the same table format as last year's report.

---

* I. Wylie and Elizabeth Briscoe Professor of Bank Management and Finance, Texas Tech University.

This year, a total of 64 NSMA members returned the questionnaires. The data provided in the returned questionnaires provided valuable insights into the nature of growth in second mortgage originations and outstandings; second mortgage loan sizes and terms; second mortgage loan refinancings; liquidations and cash flows; the use of private mortgage insurance on second mortgages; secondary market participation by NSMA members; second mortgage delinquency ratios, foreclosures and chargeoffs; and factors affecting revenue sources and the overall profitability of second mortgage lending.

Due to improvements in the questionnaire and considerable care taken by most of the respondents, the data reported in the 1984 and 1985 questionnaires are far more comprehensive and should be more reliable and useful than data reported before 1982. Reporting accuracy was particularly good for large finance companies.

However, there were still some reporting problems associated with the survey. Many companies were unable to provide detailed data on a state-by-state basis, and many did not provide complete data on foreclosures, delinquencies and other factors affecting their profitability. Consequently, some of the reported data are not as comprehensive or detailed as might be desired. This was particularly the case since a number of reporters were unable to isolate data (such as delinquencies, foreclosures or revenues) relating solely to second mortgages from their other operating data. This caused some responses to be omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1985 NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1984, and to second mortgage transactions during 1984. Because of the distinct nature of different financial entities, data are reported separately for the following categories of reporters:

1. Bank-affiliated finance companies holding over $100 million in outstanding second mortgages
2. Bank-affiliated finance companies holding $100 million or less in outstanding second mortgages.
3. Other finance companies holding over $100 million in second mortgages

4. Other finance companies holding $100 million or less in second mortgages
5. Commercial banks
6. Savings and loan associations and mutual savings banks
7. Mortgage bankers (including self-reported mortgage bankers, as well as other institutions that primarily serviced second mortgage loans)

A breakdown of questionnaire respondents, by reporting category, is given in Table 1. The total number of respondents providing comprehensive data increased in 1985, primarily because more commercial banks responded to the questionnaire. In addition, many of the respondents (particularly smaller finance companies and savings associations) provided much more complete data than in the past. As a result, the detailed information in each table should be more useful. Some key data reported in the questionnaire are summarized for each type of lender in Table 2. Much more detailed and analytical data follow in Tables 3 through 24.

In Table 2, summary data are compiled for key statistics on second mortgage outstandings, servicings, originations, foreclosures and chargeoffs. The number of respondents providing constituent data is given in parentheses at the side of each column. In addition, where similar data were available (with a greater number of respondents) on NSMA membership application and dues voucher forms, those data are presented directly below the questionnaire data. Data compiled on the application and dues voucher forms cover a great number of respondents but may be less precise - as serviced loans are included with loans outstanding and no distinction is necessarily drawn between "net" and "gross" data. Gross data, however, overstate net originations and outstandings by the amount of unearned finance charges.

The data presented in Table 2 indicate that NSMA members held or serviced 1.2 million second mortgages worth approximately $20 billion at year-end 1984. The average size of second mortgages outstanding was over $16,000. NSMA questionnaire respondents reported servicing 90,000 second mortgages worth $1.4 billion in 1984. The data indicate that NSMA members originated nearly half a million second mortgages, worth $10 billion during 1984. The average size of new loans was approximately $20,000.

While not all respondents provided data on foreclosures, most of the larger second mortgage holders did so. NSMA members reported over four thousand foreclosures in 1984. Questionnaire respondents reported foreclosed loans were worth over $87 million. However, net chargeoffs in 1984, at $47½ million were only half as large as the value of loans foreclosed. As the economy continued to recover from the recession, foreclosure rates dropped and the median ("typical") foreclosure rate for NSMA members in 1984 only equalled 34 hundreth's of 1% of the amount of loans outstanding at year-end 1983, while the average foreclosure rate for all NSMA members was only 0.36% of 1984 outstandings.

The average loan size data reported in Table 2 differ from later figures in that they are averages for sums of all data reported by all respondents. All other data reported in the study refer to high, low or "typical" (i. e., median) values of ratios applicable to each type of institution. In those computations, averages are obtained by giving each institution's statistics equal weight, while in Table 2, each loan or each dollar of outstandings (as the case may be), is given equal weight. The Table 2 "average value" numbers are suspect in the sense that not all respondents reported on both the number and the dollar value of their loans outstanding and originated; however, such respondents typically had small portfolios, so any bias is relatively small and the reported averages are approximately correct. The footnote to the table presents supplementary data on average loan sizes obtained by analyzing average loan sizes reported by each respondent. The number are consistent with the way averages are reported in the rest of the text.

II. CHARACTERISTICS OF SECOND MORTGAGE LENDING IN 1984

The 1985 NSMA questionnaire collected extensive descriptive information on respondents' loan policies and portfolio characteristics in 1984. Data were obtained on loan pricing and credit insurance policies; adjustable rate, balloon, revolving and indirect lending; the security position of second mortgage debt; and rate adjustment techniques on variable rate loans. In addition, the questionnaire data were used to compute statistics on second mortgage growth rates, originations and renewals, cash and total portfolio liquidation rates and secondary market activity. Major findings are presented in Tables 3 through 12 and are summarized below:

A. Loan Terms

NSMA members reported their high, low, and average interest rates charged during 1984. The reported data indicated that rates on new second mortgages ranged from 9.87% to 38% in 1984, and that second mortgage rates averaged 16.66% in 1984 (down from 17.12% in 1983). Typical average rates charged on second mortgages were highest for smaller finance companies, somewhat lower for large finance companies and mortgage banks and lowest for commercial banks and thrift institutions (Table 3).

Loan-to-equity ratios on second mortgages ranged from 40% to 95%, with an average of 70%. Typical loan-to-value ratios ranged from 65% to 75% of appraised equity. Thrifts and large non-bank finance companies typically offered loans on the most restrictive terms, while bank-affiliated finance companies typically offered loans with slightly high loan-to-value ratios. The highest loan-to-equity ratios were offered by a mortgage banker and a small non-bank finance company. The maximum combined loan-to-value ratio (CLTV) that NSMA respondents would consider ranged from 61% to 100%. The average CLTV was 81% and typical maximum requirements ranged from 75% to 82.5%. Large non-bank finance companies had the lowest typical CLTV requirement (at 75%). CLTV ratios of 90% were offered by at least one commercial bank, two thrifts, three mortgage banks, and three large bank-affiliated finance companies. One small finance company (as well as one of the large bank-affiliated ones previously mentioned) offered CLTV ratios of 100%. Of the two offering 100% CLTV ratios, the large firm had a delinquency rate (60 day +) of only 1.7%; however, the smaller firm had the highest reported delinquency rate of 23.7%

The written maturity of new second mortgages ranged from 24 months to 241 months and averaged 116 months (up slightly from last year). However, due to the use of renegotiable rate balloon notes, the average actual maturity was substantially lower, with an average value of 75 months. Typical written maturities were longest at large finance companies of all types, commercial banks and mortgage banks, where they were approximately 10 years. Typical written maturities were shortest at the smaller finance companies, where they averaged 8 years or less. Typical values for average actual maturities were between 4 and 8 years for most lenders, with a maximum value of 13 years and a minimum value of 4 months.

The average size of second mortgage loans made to businesses ranged from $21,600 to $431,000 in the last quarter of 1984, but only 9 respondents made such loans. The average size of loans made to households by NSMA respondents was considerably smaller - with an average size ranging from $8,800 to $90,000 for different respondents and a typical value of $24,900. Typical loan sizes were largest at thrifts, mortgage banks and commercial banks and were smallest at small bank-affiliated finance companies and other finance companies.

Additional information collected on loan terms indicated that the vast majority of second mortgage respondents rarely made second mortgages to finance new home purchases.

B. Growth In Second Mortgage Lending

NSMA respondents reported moderate growth in their second mortgage loan outstandings in 1984. However, originations grew more slowly. The median growth rate in originations was 9% for the value of loans originated, but the median growth in the number of loans originated was a negative 3%. The typical average size of loans originated increased moderately (by 2 to 15%) at all lenders. Because loan liquidations were smaller than originations, second mortgage outstandings typically grew by 13% from year-end 1983 to year-end 1984 with the most rapid growth occuring at relatively small finance companies, commercial banks and mortgage banks. The number of loans outstanding typically grew by 9% and the average size of loans outstanding typically grew by 6% in 1984. While growth in loans and loan sizes was fairly even across the board, for the second year in a row, commercial banks typically experienced the most rapid growth in the number of loans (Table 4).

C. Second Mortgage Originations And Renewals

The overall average size of second mortgage originations throughout 1984 varied substantially among lender groups. The finance companies (especially the bank-affiliated finance companies) typically made the smallest second mortgage loans while mortgage banks, followed closely by thrift institutions and commercial banks, typically made the largest loans. Overall, the average size loan made by all respondents was over $22,000 - but this figure may have been biased upward by the fact that several institutions made a large number of large commercial loans. The average size of revolving credit originations, at $21,500, was only slightly smaller than the average size of second mortgage originations in general (Table 5).

For NSMA members, in general, a large portion of the number of second mortgages originated represented renewals of previous loans. The renewal rate was highest for finance companies, particularly for the smaller bank-affiliated finance companies where renewals represented half of all loan originations. In contrast, renewal rates were quite low for thrift institutions, commercial banks, mortgage banks and (surprisingly) small non-bank finance companies. Because of the high amount of renewals at some lenders, on average, renewals accounted for nearly 20% of the second mortgage originations reported by NSMA members.

D. Second Mortgage Liquidation Rates

Many people are interested in the speed with which second mortgage portfolios typically are liquidated. The scheduled amortization rates from second mortgages and, hence, the scheduled cash flows are considerably higher than amortization rates and cash flows from first mortgages. In addition, second mortgage liquidation rates are augmented by the fact that second mortgages are prepaid or refinanced much more frequently than first mortgages.

While it would be ideal to have information on liquidation rates according to age and initial maturity of second mortgages, such detailed data are not available. In fact, data are not directly available on total portfolio liquidation rates. Nonetheless, liquidation rates can be computed for entire second mortgage portfolios by making use of the fact that the change in outstandings must equal originations minus liquidations or, equivalently, total liquidations equal originations minus the change in outstandings. Additional adjustments can also be made to account for purchases and sales of second mortgages from the portfolio and for renewals which represent paper, rather than cash, transactions.

Table 6 shows the portfolio liquidation rates calculated by various techniques for different types of lenders. Because mortgage bankers vary their portfolios widely, as they pool and sell off securities, in some cases, the calculated liquidation rates were extremely high.

Overall, the data presented in Table 6 indicate that second mortgage portfolios turned over at a high rate in 1984. Typical second mortgage portfolio liquidation rates equalled at least 30 percent of average net outstandings for all types of lenders during 1984. After adjustment for purchases and sales, typical liquidation rates ranged from 22% for commercial banks to 38% for non-bank finance companies. Mortgage banks had even higher liquidation rates, but that is probably because most turn over their portfolios quickly. Cash liquidation rates (which are adjusted for refinancings as well as purchases and sales) ranged between 25% and 30% of average net outstandings for most types of lenders. At the indicated rates, the average second mortgage would be liquidated by cash repayment in three to four years, and it would be liquidated either by cash repayment or renewal in about 3 years.

E. Secondary Market Activity

Approximately 35% of the 1985 NSMA questionnaire respondents reported purchasing second mortgages from other originators, and approximately 30% of all respondents reported selling and servicing second mortgages. On balance, NSMA members were net purchasers of second mortgages, with purchased mortgages equalling approximately 10% of the value of mortgages originated by NSMA respondents in 1984 (Table 7).

Purchasers of second mortgages tended to buy mortgages that were somewhat larger than second mortgage credit originations in general. In addition, serviced second mortgages tended to be somewhat larger than typical second mortgage outstandings.

Finally, while little information was available on servicing fees received on second mortgages, the limited data that were available suggested that annual servicing fees typically were between $300 and $400, or less than 2% of the value of second mortgages serviced.

F. Revolving Lending

The 1985 questionnaire indicated that revolving second mortgage credit originations and outstandings, continued growing rapidly in 1984. At year-end 1984, revolving second mortgages held by NSMA members accounted for 2¼ billion or nearly one-sixth of second mortgage credit outstanding. Revolving credit originations in 1984 were $1¼ billion, which accounted for roughly one-sixth of net second mortgage originations in 1984. Both revolving credit originations and outstandings were nearly four times as great in 1984 as in 1983 (Table 8). Part of the growth was accounted for by the fact that more lenders reported such loans in 1984. However, reported growth rates in revolving credit at existing lenders were also very high - with median growth rates of nearly 200% for revolving credit outstandings and 65% for revolving credit originations.

In general, the average size of revolving second mortgage loans was somewhat larger than typical second mortgages in 1984. This was a change from previous years and it suggests that revolving lines of credit secured by second mortgages were more fully utilized in 1984 than before.

G. Adjustable Rate And Balloon Mortgages

Adjustable rate mortgages (ARMs) were another form of second mortgage that grew very rapidly during 1984. At year-end 1984, NSMA respondents reported that they had $2½ billion in ARMs outstanding and nearly $½ billion in balloon mortgages. Consequently, NSMA members' holdings of ARMs, balloon notes, and revolving credits accounted for nearly one-third of their total second mortgage holdings. In addition, at least one major holder included call options that could be used to force rate renegotiation in all its new loan originations. Thus, NSMA members have gone a long way toward reducing the interest rate risk embodied in long-term second mortgages. In 1984, the typical lender that held adjustable second rate mortgages at the start of the year experienced an 80% growth rate in the numbers of loans and a 68% growth rate in the value of ARMs held (Table 9).

Ownership of ARMs was concentrated among particular lender groups. Thrift institutions were the most active in the market, with 83% reporting ARMs, followed closely by commercial banks (with 82%). In addition, 60% of the large finance companies (of all types) held ARMs. However, small finance companies rarely made adjustable rate second mortgages (25% and 11%, respectively, of all bank and non-bank "small" finance companies held ARMs) and relatively few (27%) of the reporting mortgage banks held ARMs.

Rate adjustments on second mortgage ARMs were primarily tied to short-term market rates. The bank prime rate (as reported in The Wall Street Journal) was most commonly used to establish ARM rates - particularly for finance companies and commercial banks. The second most common type of rate base consisted of rates on Treasury securities - usually 3 month, 6 month, or 1 year Treasury Bills. Treasury security rates were most commonly used to adjust rates charged on ARMs issued by thrift institutions and mortgage bankers. Other rate adjustment mechanisms included the 10 year Treasury bond rate, the CD rate, the company's "base rate," the Federal Home Loan Bank Cost of Funds index and the Federal Home Loan Bank Mortgage index. Rate adjustment procedures are summarized in Table 9 and presented in more detail in Table 10.

Some companies used balloon rate second mortgages or mortgages with call options in lieu of ARMs. Balloon mortgages have rates that can be marked to the market whenever they come due and the balloon payment is refinanced. Overall, balloon mortgages grew substantially less rapidly than ARMs during 1984, but they still grew at a rapid rate - with a median growth rate of 50% in the value of balloon notes and 27% in the number of balloon notes outstanding. As a result, they accounted for 3% of all second mortgages held by NSMA questionnaire respondents at year-end 1984.

Interestingly, as was true in 1983, in 1984, ARMs and balloon note second mortgages were substantially larger than other second mortgages. Seemingly, lenders are more concerned with obtaining protection against interest rate changes when they extend larger amounts of credit, which, presumably, is amortized over relatively long periods of time.

H. Indirect Lending And Subordination Of Second Mortgage Debt

The 1985 NSMA questionnaire asked questions designed to determine the extent to which second mortgage lenders obtained their second mortgages indirectly rather than through their direct lending activities. Very few firms responded to this question and the vast majority of them indicated that they did not engage in indirect lending. Furthermore, most that did engage in indirect lending obtained only a small portion of their portfolios that way. Nonetheless, several respondents obtained their entire second mortgage portfolios through indirect loan originations (Table 11, Part II).

Another set of questions tried to determine the security position of "second mortgage" liens. While most respondents reported that all their second mortgages were, indeed, second liens, ten reported that some were, in fact, first liens taken out by people who wished to draw on the equity in their fully-owned homes. The typical proportion of reported first liens, however, was less than 4% (Table 11, Part I).

Finally, nine respondents reported that a few of their second mortgages were actually third liens or higher. The maximum reported holding of such liens was 14% in value and 50% in number, with a median reported holding of 15% in number.

I. Private Mortgage Insurance

Some second mortgage lenders use private mortgage insurance to provide additional risk coverage on their loans. Many require such insurance only if the borrower's equity position in a property, based on a combined loan-to-value ratio (CLTV) assessment, is below their usual standards. Others may require private mortgage insurance on all loans so they can be more easily pooled and resold.

The 1985 questionnaire asked respondents to specify their private mortgage insurance (PMI) policies. Responses to that question are provided in Table 12. The limited number of responses suggest that private mortgage insurance is not required by most second mortgage lenders, and when it is required, it is used primarily to guarantee loans that otherwise would fail to meet the lender's owner equity standards - i. e., for loans with CLTV ratios greater than 75% or 80%. Interestingly, it appears that a number of lenders impose much stricter equity standards on non-owner occupied or business-related properties - as several lenders require PMI for loans with a CLTV ratio exceeding 65% or 70%.

III. DELINQUENCIES, FORECLOSURES AND CHARGEOFFS ON SECOND MORTGAGES

A. Delinquency Rates

In 1983, problem loans accounted for a very minor portion of most second mortgage lenders' portfolios; however, in 1984, delinquencies fell further. As a result, with a few notable exceptions, most NSMA respondents had very favorable delinquency ratios at year-end 1984.

Table 13 presents data on delinquency rates reported by NSMA respondents. It shows that typical 60 day + delinquency rates for second mortgage lenders were 1.15% of net second mortgage loans outstanding or 1.5% of the number of second mortgages outstanding. It also shows that 60-89 day delinquency rates typically were 0.42%, based on the value of loans delinquent, and 0.35%, based on the number of loans delinquent. Delinquency rates expressed as a percentage of the number of loans outstanding tend to be higher than delinquency rates expressed as a percentage of the value of loans outstanding because delinquent loans often are of smaller than average size.

There was substantial variation in delinquency rates both among individual lenders and by type of lender. Maximum delinquency rates were as high as 23.7% (by number) at one small finance company which made 100% LTV loans and as high as 19.6% (by value) at another small finance company. However, maximum delinquency rates reported at all other lenders were less than 6% of outstandings. Typical delinquency rates were lowest at commercial banks, mortgage banks, thrift institutions, and small bank-affiliated finance companies. Delinquency rates were highest at finance companies - particularly at the small finance companies previously mentioned.

B. Foreclosure Rates and Policies

Once a mortgage becomes delinquent, it may go into foreclosure or be charged off. Because considerable variation can exist in companies' policies at this point, questionnaire respondents were asked to describe their foreclosure and chargeoff policies. Table 14 presents information on respondents' foreclosure policies.

Table 14 indicates that foreclosure policies vary widely. Some firms may move to foreclose after as little as 30 days in delinquent status - or even less if a notice of default is received on a senior mortgage. However, many also note that foreclosure will not be pursued if the customer is cooperative and there are extenuating circumstances. Also, foreclosure policies vary widely among lender groups, as well as among individual lenders. Most mortgage banks start foreclosure at 60 days. However, many let buyers of their mortgages dictate foreclosure policies. Commercial banks and thrift institutions have more variable policies - some commence foreclosure proceedings when a loan is 30 days past due and other may wait as long as 120 days to foreclose. Most commonly, however, both types of depository institutions foreclose at 90 days, with several starting foreclosure proceedings at 60 days, but most also varied their policies sharply depending upon the willingness of the customer to cooperate, the amount of equity in the home, and the stage of delinquency. Cooperative borrowers with extenuating circumstances often could forestall foreclosure, while uncooperative borrowers might find themselves faced with foreclosure proceedings in 60 days, or, sometimes, less. Smaller finance companies were also very willing to work with their delinquent borrowers, but, relative to other lender groups, fewer had explicit time schedules for foreclosing on loans, and those that did often gave the delinquent customer more time prior to foreclosure.

In total, foreclosures reported by 36 NSMA respondents for 1984 totaled 2,413, with a total value of nearly $88 million. This equalled approximately ½% of all outstanding second mortgage loan balances at year-end 1984. As shown in Table 15, typical foreclosure rates as a percentage of year-earlier outstandings were lowest for commercial banks (at 0%), moderate for large finance companies of all types (at 0.22% and 0.42%), thrift institutions (at 0.40%), and small bank-affiliated companies (at 0.55%) and highest for other small finance companies (at 1.66%) and mortgage banks (at 1.67%, which is probably biased upward by foreclosures reported on serviced loans). Foreclosure rates for 1984 varied from 0% to over 11% of 1983 year-end outstandings at different institutions.

Additional details on foreclosures are provided in Table 16. Table 16 shows that approximately one-quarter of all property foreclosed is taken by deed and that slightly more than three-quarters is taken by legal process. Finance companies recovered their security by deed more often than other lenders.

Other data presented in Table 16 indicate that the average ratio of property sold to total annual foreclosures is slightly more than 80%. This ratio often is less than 100% due to growth in the number of foreclosures and lags in the recovery and sale of foreclosed properties. However, the ratio of sales to foreclosures may be over 100% for firms that liquidated properties foreclosed in previous years in addition to current foreclosures.

Finally, data provided in Table 16 show that the value realized from the sale of foreclosed properties varies widely. While some firms recover 100% of the value of the debt upon sale, a majority realized less than 100%.

C. Chargeoffs

Overall, as shown in Table 17, gross chargeoffs reported by NSMA respondents in 1984, at nearly $70 million, were three-quarters as large as their total foreclosures. However, as is shown in Table 18, many respondents charge off expected losses on a loan as soon as foreclosure proceedings are started. Subsequent recoveries may reduce chargeoffs substantially. Thus, total net chargeoffs, at $47.8 million equalled barely more than one-half the value of foreclosures, even though chargeoffs were reported by more respondents than foreclosures.

Table 17 shows that recoveries on gross chargeoffs ranged from 0 to 268%, and typically equalled 25% of gross chargeoffs - a higher rate than in 1983, after recovery. Net chargeoffs in 1984 ranged from 0 to 4.2% of average outstandings and had an average value of 0.69% - which was slightly less than in 1983.

Net chargeoffs typically were highest for the small non-bank finance companies (at 3.37% of average outstandings), moderate for other finance companies (at 0.31%, 0.52% and 0.85%), and lowest for thrift institutions, commercial banks and mortgage bankers (where many institutions reported zero net chargeoffs). Interestingly, as one would expect, chargeoffs tended to be highest at the highest rate lenders (who also made the smallest loans on most generous terms) and lowest at lower rate lenders (who also made larger loans on more restrictive terms).

IV. PROFITABILITY OF SECOND MORTGAGE LENDING

The ultimate objective of second mortgage lenders is to turn a profit by making sure that loan revenues exceed costs. In this section, we look at second mortgage lenders' overall profits, the relative importance of different types of revenues that accrue to second mortgage lenders, the cost of funds to second mortgage lenders, and the methods by which they recognize income.

A. Income Accounting

Table 19 presents responses given to a question that asked each responding firm to describe its income-recognition accounting procedures. The responses show that accounting procedures vary greatly among firms. There are two major types of differences - cash vs. accrual accounting and actuarial (or simple interest) vs. sum-of-the-years-digits (Rule of 78's) accounting for interest recognition.

The majority of lenders used accrual, rather than cash collection, methods to recognize earned income. However, many who did so had a provision whereby they either ceased interest accruals or reversed them when a loan became 60 to 90 days past due. In addition, many used sum-of-the-digits methods on precomputed loans and simple interest calculations on revolving loans. While actuarial or simple interest calculation procedures appear to be increasing - particularly for loans over 84 months, and on revolving credit lines and other adjustable loans - many lenders, possibly a majority, still use the Rule of 78's (or sum-of-the-years-digits) method to calculate accrued interest. The Rule of 78's can generate greater income if a second mortgage is prepaid - as is commonly done - but regulators may declare that it generates excessive prepayment penalties on long-maturity loans. Also, the Rule of 78's is not sufficiently flexible to allow for adjustable rates.

B. Profits

Overall, as shown in Table 20, reporting second mortgage lenders recorded substantial profits in 1984. Of the 11 respondents who reported both their equity and their profits applicable to their second mortgage portfolios, nine recorded a pretax return on equity of 25% to 120%. Pretax returns on lenders' full portfolios were also healthy - with only one of 16 respondents reporting a loss and all others reporting returns on equity of 10% to 134%.

Pretax income, recorded as a percentage of loans outstanding, generated typical positive net income "spreads" that ranged from 0.4% of second mortgage average outstandings at thrifts and commercial banks to 3% at large bank-affiliated finance companies to more than 5% at small bank-affiliated finance companies. Mortgage banks and non-bank finance companies typically reported positive spreads of 2% to 2.6%. Lenders' pretax ratios of total income to outstandings were even higher than gross returns on their second mortgages. Thus, overall, 1984 was a very profitable year for NSMA respondents.

C. Interest Costs And Revenues

The major reason 1984 was a profitable year was that second mortgage lenders' interest costs were substantially lower than their average interest revenues on their second mortgage loan portfolios. As is shown in Table 21, lenders' typical interest earnings on their second mortgage loan portfolios ranged from 14.3% to nearly 19.9%. At the same time, lenders typical costs of funds were relatively low - ranging from 7.4% to 12%.

While interest earnings on second mortgage lenders' entire portfolios usually were greater than their earnings on their second mortgages, per se, their profits on their other lending were not necessarily higher than their profits on second mortgages. Two reasons probably account for this: (1) lenders' operating costs per dollar of credit outstanding of making and servicing second mortgages are lower than the operatings costs per dollar associated with smaller loans and (2) lenders may obtain significant non-interest revenues from origination fees and other revenue sources related to second mortgage loans.

Table 22 provides more detail on revenues received by second mortgage lenders. It shows that total revenues received on second mortgage portfolios tend to be somewhat higher than interest earnings per se - generating typical returns on average second mortgage balances of 15% to 36%. Major sources of additional revenues are mortgage servicing fees, origination fees, and insurance and other revenues. Not all respondents provided detailed breakdowns of their non-interest revenues, however. Thus, rather than show average figures, all available responses are presented (as ratios) on the bottom of Table 22.

All in all, non-finance charge sources of revenue frequently added between ½% and 3% to the rate of return second mortgage lenders earned on their second mortgage portfolios.

V. STATE SPECIFIC DATA

Each respondent to the 1985 questionnaire was asked to provide separate information on the characteristics of their second mortgage lending operations in each state. While not all could, or did, comply, between one-third and one-half the respondents provided substantial data on their second mortgage lending in each individual state.

The statewide data provided included data on second mortgage loan outstandings, originations, delinquencies, foreclosures and average finance rates. Key data are summarized in Tables 23 and 24. Table 23 provides summary data on statewide outstandings, originations, average finance rates (APRs), delinquency rates (for 60 days and over), and foreclosures for all 50 states plus Washington, D. C., Puerto Rico, and, in one case, Ontario. Table 24 provides key ratios calculated either directly from state statistics or by comparing state statistics to similar growth and delinquency data for lenders' portfolios as a whole. The ratios are useful for analyzing such things as loan sizes, growth patterns, foreclosure rates and experience, and comparative delinquency and interest rates in the different states.

Major points of interest regarding state specific data relate to: (1) outstandings and originations average size, volume and growth; (2) loan rates; (3) comparative delinquency rates; and (4) foreclosure experience. Each is discussed in turn.

A. Outstandings, Originations And Growth

The data presented in Table 23 (Columns 1 and 2) show that there are vast differences in the amount of loan outstandings reported in each state - ranging from zero in Arkansas (where rate ceilings have traditionally restricted lending) to more than 2½ billion in California. States with the largest amounts of second mortgages originated or outstanding included, in order, California, Florida, New Jersey, Ohio, Pennsylvania, Colorado, Arizona, North Carolina, Virginia, Oklahoma, Maryland, Georgia, New York, Oregon, and Indiana. States with the lowest amount of second mortgages reported outstanding included, in order, Arkansas, North Dakota, Alaska, Vermont, Maine, South Dakota, Wyoming, Montana, Washington, D. C., Rhode Island and Nebraska.

Growth rates of second mortgage lending could be approximately measured by computing the ratio of originations to outstandings. If a large portion of outstandings were acquired in the past year, then the growth rate of outstandings was assumed to be high. States were classified as high growth or low growth states based on both the ratio of originations to outstandings (Table 24, Column 1) and the relative value of that ratio to the ratio of originations to outstandings for each lenders' entire portfolio (which showed growth in each state relative to each lenders' overall growth performance - Table 24, Column 2). Based on the first ratio, high growth states included, in order, Pennsylvania, New Jersey, Nebraska, Massachusetts, Alaska, New Mexico, New York, North Dakota, Vermont, Michigan, Delaware, West Viriginia, Georgia, Arizona, New Hampshire, Kentucky and Maryland. Relatively high growth rates, as measured by the comparative ratio of originations to outstandings were indicated, in order, for the following states: Michigan, Pennsylvania, Vermont, Nebraska, Massachusetts, New Jersey, New Mexico, New York, Delaware, Ontario, West Virginia, Colorado, Maryland, Texas, Georgia, Tennessee and Montana. The lowest growth rates for second mortgage lendings apparently occurred in the following states, in order: Arkansas, Wyoming, Maine, Hawaii, South Dakota, Utah, Oregon, Washington, D. C., Iowa, Idaho and Louisiana. Relatively low growth was indicated by the comparative ratio for, in order: Maine, Wyoming, Washington, D. C., Hawaii, Iowa, Florida, Indiana, Utah, Louisiana and Nevada. Most of the Western States, particularly California, Idaho, Oregon and Arizona also had relatively low comparative growth ratios - possibly because their second mortgage markets had already matured and had, thereby, reduced their potential for high compound growth rates in the future.

B. Loan Rates And Sizes

Most second mortgage loan rates reported by respondents were lower than those reported in 1983. In 1984, APRs averaged between 16% and 18% in most states. The highest average rate was 20.24% in Wyoming, the lowest average rate was 13.73% in Texas (where most second mortgages are purchase money mortgages or home improvement loans). The regions with relatively high rates (above 18½%) included, in order: Wyoming, Alaska, South Dakota and Ontario. The states with relatively low rates (below 16%) included, in order: Texas, Washington, D. C., Rhode Island, Massachusetts, New Jersey, Florida, Nevada and Connecticut (Table 23, Column 3).

Variation in average loan sizes, between states, was much greater than variation in loan rates. The data presented in Table 24, Column 3 shows that the average size of second mortgage loans originated in 1984 varied from $7,230 (in South Dakota) to $38,800 (in California) and $57,438 (in Washington, D. C.). Second mortgages were also quite large in Hawaii (at $35,743) and averaged below $15,000 in Alabama, Kansas, Kentucky, Michigan, Mississippi, Missouri, Nebraska, North Dakota, Tennessee, Vermont and West Virginia.

C. Comparative Delinquency Rates

Average delinquency rates varied widely across states, as shown in Table 23, Column 4. This was confirmed by an analysis of comparative delinquency rates in each state relative to average delinquency rates experienced by the same lenders in their overall second mortgage lending operations. Overall, the highest delinquency rates (above 3%) were observed in Wyoming, followed, in order, by South Dakota, Oregon, Kansas, New Jersey, Iowa, Oklahoma, Tennessee, Montana, Wisconsin and Mississippi. Seemingly, the nation's agricultural problems also affected second mortgage delinquency rates in many states - as many of the highest delinquency rates were clustered in the nation's "breadbasket," possibly because of the depressed state of agriculture. The lowest average delinquency rates (below 1% for 60 days or over) were reported for Puerto Rico, North Dakota, Maine, Georgia, Michigan, Texas, Virginia, North Carolina, Maryland, New Hampshire, Rhode Island, Missouri, Massachusetts, Alabama, New York and Delaware.

Overall, the comparative delinquency ratio data (Table 24, Column 5) indicate that the highest relative delinquency rates (at least 25% above lenders' experience in other states) occurred, in order, in Alabama, Wyoming, West Virginia, Iowa, South Dakota, Washington, D. C., Oregon and Ohio. The lowest relative delinquency rates (below 50% of lenders' overall experience) occurred, in order, in New Hampshire, Delaware, Nevada, Minnesota, Georgia, Mississippi, Michigan, Kentucky, Virginia, Maryland, Illinois and Massachusetts.

D. Foreclosure Experience

Data on foreclosures reported in each state are presented in Table 23, Column 5, and in Table 24, Columns 3 and 4. Overall, the absolute number of reported foreclosures (Table 23, Column 5) was highest in California, Florida, Arizona, Utah, Ohio, Oregon and Colorado. The number of reported foreclosures was lowest in Alaska, Hawaii, Delaware, Maine, Michigan, North Dakota, Nevada, Rhode Island, Vermont, Wisconsin and Puerto Rico. However, the raw numbers can be very misleading because the amount of loans and the number of respondents vary greatly from state to state.

In order to control for different amounts of loan outstandings, lenders reporting foreclosures in each state were divided by the amount of credit that each lender had outstanding in that state, then the resulting figures were averaged for all reporting lenders. The result is shown in Table 24, Column 4. Those data indicate that foreclosure rates tended to be highest (above 2% of outstandings), in order, in Missouri, Washington, D. C., Oregon, California, West Virginia, Illinois, Nebraska, Alabama, Kansas, Montana and Louisiana. While this method of ranking is not perfect, as one lender with a very bad experience can raise average reported foreclosure rates considerably, it probably gives more accurate assessment of where foreclosres are causing the most difficulties than a comparison of the absolute number of foreclosures in each state, per se.

The lowest incidence of foreclosure, below 0.4% of outstandings based on average foreclosure rates reported by individual lenders, existed, in order, in Alaska, Delaware, Michigan, New Hampshire, Nevada, Rhode Island, Hawaii, Massachusetts, Pennsylvania, New York, New Jersey, North Carolina, Washington, Georgia and Connecticut.

VI. CONCLUSIONS

This survey reports on the 1985 NSMA Second Mortgage questionnaire. Data compiled from the responses of 64 respondents provide useful insights into the following aspects of the second mortgage markets: loan outstandings, originations and growth; loan terms and sizes; second mortgage liquidation rates; the use of secondary markets; revolving credit, adjustable rate and balloon notes; indirect lending and the use of private mortgage insurance; second mortgage delinquency, foreclosure and loss rates; and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, loan sizes, finance rates, delinquency rates and foreclosures.

TABLE 1: CHARACTERISTICS OF 1985 NSMA QUESTIONNAIRE RESPONDENTS

Finance Companies, total			32
Finance Companies Affiliated with Commercial Banks		15	
Holders of over $100 million in seconds (LBF Co.)	11		
Holders of under $100 million in seconds (SBF Co.)	4		
Other Finance Companies		17	
Holders of over $100 million in seconds (LF Co.)	8		
Holders of under $100 million in seconds (SF Co.)	9		
Commercial Banks			11
Thrift Institutions (Savings & Loans and Savings Banks, including commercial bank subsidiaries and Savings and Loans Holding Companies)			6
Mortgage Bankers and Related Institutions -- including subsidiaries of banks, thrifts, and others			15
Self-defined mortgage banks		13	
Mortgage "broker" servicing seconds		1	
Issuer of Mortgage-backed securities		1	
TOTAL *			64

* Includes all responses providing numeric data that were received before September 8, 1985. However data from late respondents was not edited carefully and is not included in all the tables.

TABLE 2: KEY SUMMARY STATISTICS ON 1984 SECOND MORTGAGE ACTIVITY

A. Second Mortgages Outstanding at Year-End 1984	
1. Number of Second Mortgages Outstanding, Survey Responses	1,049,577 (58)
2. Number of Second Mortgages Outstanding, Membership Forms	1,291,242 (84)**
3. Net* Value of Second Mortgages Outstanding, Survey Responses	$17,008,461,714 (60)
4. Value of Second Mortgages Owned or Serviced from Membership Forms	$20,215,210,602 (85)**
5. Average Size of Second Mortgages Outstanding	$16,205***
6. Average Size of Second Mortgages Outstanding, based on Membership Forms	$16,580**
B. Second Mortgages Serviced at Year-end 1984, Survey Responses	
1. Number Serviced	89,370 (20)
2. Net Dollar Value Serviced	$1,391,527,258 (19)
C. Second Mortgage Originations, 1984	
1. Number of Second Mortgages Originated, Survey Responses	375,603 (60)
2. Number of Second Mortgages Originated, Membership Forms	519,051 (86)
3. Net* Value of Second Mortgage Originated, Survey Responses	$8,005,779,323 (61)
4. Value of Second Mortgages Originated, Membership Forms	$10,317,985,633 (86)**
5. Average Size of Second Mortgage Originations, Survey Response	$21,314***
6. Average Size of Second Mortgage Originations, Membership Forms	$19,879**
D. Second Mortgage Foreclosures and Chargeoffs in 1984	
1. Number of Foreclosures, Survey Responses	2,413 (39)
2. Number of Foreclosures, Membership Forms	4,424 (79)
3. Value of Second Mortgages Foreclosed	$87,809,939 (36)
4. Gross Chargeoffs	$69,948,834 (50)
5. Net Chargeoffs	$47,771,886 (49)
E. Number of Foreclosures as % of 1984 Outstandings	
1. Average for all respondents (# foreclosed/# outstanding), Survey Responses	0.23%
2. Average for all respondents (# foreclosed/# outstanding), Membership Forms	0.36%
3. Average for all respondents ($ foreclosed/$ outstanding), Survey Responses	0.52%
4. Typical (median) response, Survey Responses	0.34% (30)

* These figures may be overstated by a minor amount. In a few instances, "net" data were not available and "gross" figures were substituted -- but the differences were generally small.

** These statistics apply to data provided on NSMA member application and renewel forms. They are a more comprehensive sample than the questionnaire data, but they also may contain more data on gross second mortgages outstanding or originated.

*** Average size data are obtained by dividing line 3 by line 1; Since the number of reporters differs, they are not very accurate. "Typical" average loan sizes are $15,167 for outstandings and $18,735 for originations. "Typical" responses are "median" values i.e., values such that 1/2 of the respondents reported the same or larger amounts and 1/2 of the respondents reported the same or smaller amounts.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1984

1984 Rates Charged	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks	Full Sample
LOAN RATES								
Highest Rate	25.00	22.00	36.00	30.00	19.00	19.00	38.00	38.00%
Lowest Rate	12.99	13.50	11.00	12.50	10.54	9.87	12.15	9.87
Typical Avg Rate	15.75	18.43	17.69	18.62	14.54	14.55	16.20	
Overall Average Rate								16.66%
LOAN/VALUE RATIOS								
Average Ratio of Loan to Appraised Equity								
HIGH	80.00	--	--	95.00	80.00	80.00	85.00	95.00%
LOW	40.00	--	--	70.00	45.00	52.00	59.33	40.00
TYPICAL	75.00	75.00	65.00	70.00	69.60	66.35	70.00	
AVERAGE								70.11%
Maximum Ratio of All Mortgages to Appraised Value of Property								
HIGH	100.00	85.00	75.00	100.00	90.00	90.00	95.00	100.00%
LOW	70.00	80.00	73.00	80.00	61.00	75.00	75.00	61.00
TYPICAL	80.00	82.50	75.00	80.00	80.00	82.50	80.00	
AVERAGE								80.93%
MATURITY								
Average Written Maturity of New Loans								
HIGH	148.00	97.00	146.00	180.00	180.00	180.00	241.40	241.40 mo.
LOW	82.90	80.00	84.00	30.00	42.00	24.00	30.00	24
TYPICAL	120.00	88.50	122.66	90.00	131.53	90.00	120.00	
AVERAGE								116.32 mo.
Average Actual Maturity of New Loans								
HIGH	148.00	--	72.00	72.00	120.00	78.00	151.64	151.64 mo.
LOW	3.50	--	29.50	24.00	50.00	29.00	37.00	3.5
TYPICAL	83.45	--	50.75	48.00	60.00	66.00	95.00	
AVERAGE								74.54 mo.
PERCENT OF SECOND MORTGAGES USED FOR PURCHASE MONEY								
HIGH	50.0%	0	0.13%	0.16%	0	17.8%	100%	100%
LOW	0	0	0	0	0	0	0	0
TYPICAL	12.5%	0	0.07%	0.08%	0	1.75	8%	
# OF RESPONSES	7	2	2	2	2	6	8	29
AVERAGE SIZE OF LOANS MADE IN LAST QUARTER OF 1984								
Loans to Households								
HIGH	$27,539	$15,505	$23,076	$38,519	$72,911	$35,786	$90,000	$90,000
LOW	10,423	13,574	16,649	8,878	18,156	22,277	18,289	8,878
TYPICAL (AVG)	21,776	14,278	18,380	17,986	25,060	29,032	27,438	24,888
# OF RESPONSES	8	3	4	6	4	2	6	33
Loans to Business								
HIGH	$128,760	NA	$431,727	$366,381	NA	NA	$277,794	$431,727
LOW	26,316	NA	138,634	24,512	NA	NA	21,666	21,666
TYPICAL (AVG)	77,538	NA	280,181	195,447	NA	NA	25,036	160,092
# OF RESPONDENTS	2	0	2	2	0	0	3	9

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1984

I. Growth in Originations

A. Number of Loans Originated (only 18 of 40 were positive)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBank	Thrifts	M. Bankers	Overall
High	+28.4%	-6.1%	+50.3%	+72.5%	+52.3%	-3.8%	+49.4%	+72.5%
Low	-26.8	-12.8	-30.5	-17.1	-69.4	-42.0	-25.0	-69.4
Typical	+10.7	-11.4	-6.2	-3.0	-28.1	-29.1	+19.2	-3.8
Average								-0.1
# responses	8	3	5	6	8	3	7	40

B. Net Value of Loans Originated (22 of 41 were positive)

High	+110.7%	+1.3%	+63.8%	+124.0%	+120.9%	+34.9%	+69.5%	+124.0%
Low	-45.1	-11.1	-27.5	-19.2	-78.3	-28.1	+7.5	-78.3
Typical	+15.6	-5.6	+3.1	+1.6	-29.7	+10.9	+31.5	+9.1
Average								+13.3
# responses	8	3	5	6	6	3	6	37

C. Growth in Average Size of Net Loans Originated (28 of 33 were positive)

High	+64.1%	+8.3%	+9.0%	+34.8%	+10.1%	+15.2%	+25.5%	+64.1%
Low	-24.9	+0.3	+0.8	-7.7	-29.2	+5.2	+1.9	-29.20
Typical	+2.3	+7.9	+4.2	+7.1	+6.0	+10.2	+15.2	+5.2
# responses	8	3	5	5	5	2	5	33

II. Growth in Net Outstandings

A. Number of Loans Outstanding (27 of 40 were positive)

High	+54.5%	+61.5%	+30.6%	+31.1%	+42.0%	+21.5%	+59.5%	+61.5%
Low	-12.6	+1.0	-3.6	-3.0	-11.2	-8.6	-20.0	-20.0
Typical	+0.9	+16.1	+1.7	+3.5	+23.2	+12.8	-7.7	+9.3
Average								+12.5
# responses	8	4	5	5	8	5	5	40

B. Net Value of Loans Outstanding (35 of 41 were positive)

High	+96.8%	+78.4%	+38.8%	+36.9%	+54.4%	+46.1%	+53.2%	+96.8%
Low	-6.9	+7.3	+0.0	+7.0	-21.0	-19.5	-2.1	-21.0
Typical	+7.9	+21.0	+11.3	+13.7	+18.0	+9.5	+19.2	+13.6
Average								+19.3
# responses	8	4	5	5	8	5	6	41

C. Growth in Average Size of Net Loans Outstanding (33 of 39 were positive)

High	+27.3%	+10.4%	+9.8%	+25.7%	+19.2%	+20.2%	+26.2%	+27.3
Low	+1.5	+5.3	+3.7	-12.1	-10.2	-11.9	-14.2	-14.2
Typical	+6.5	+7.5	+6.5	+9.9	+4.8	+5.3	+11.6	+6.5
# responses	8	4	5	5	7	5	5	39

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1984

Number of Originations in 1984	375,603 (60)
Net Value of Originations	$8,005,779,323 (61)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Banks	Overall
Average Size of Net Originations								
High	35,742	15,505	18,463	60,482	67,590	31,372	161,545	161,545
Low	7,128	3,079	9,925	3,952	6,950	19,086	7,129	3,079
Typical	14,360	13,642	17,679	16,846	20,839	21,553	21,866	--
Average								22,767
# responses	11	4	6	8	10	4	10	53
Average Size of Revolving Second Mortgage Originations								
High	$27,996	--	$23,099	--	$83,813	$42,916	--	$83,813
Low	5,376	--	5,580	--	27,607	11,052	--	5,376
Typical	17,231	15,576	14,340	--	48,756	28,569	--	--
Average								21,454
# responses	4	1	2	0	6	4	0	17
Percentage of Originations that Constitute Renewals (#)								
High	75.40%	54.48%	72.57%	14.61%	14.57%	1.77%	67.00%	75.40%
Low	5.54	45.77	2.21	0	0	0	0	0
Typical	34.82	54.17	31.59	7.30	8.00	1.24	21.23	--
Average								23.67
# responses	4	3	3	2	3	3	7	25
Percentage of Net Originations that are New Money ($)								
High	35.20%	31.13%	74.60%	15.16%	7.07%	2.49%	44.38%	74.60%
Low	11.32	16.63	3.39	6.91	0	0	0	0
Typical	16.86	27.50	17.70	8.09	3.54	1.12	8.49	--
Average								16.87
# responses	6	4	4	4	2	3	7	30

TABLE 6: SECOND MORTGAGE PORTFOLIO LIQUIDATION RATES

I. Net Liquidations

A. Unadjusted for Purchases and Sales
[(equals originations minus change in net outstandings)/(average net outstandings)]

	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks
High	54.22%	39.19%	72.68%	91.25%	36.92%	63.43%	60.80%
Low	21.76	31.43	25.11	40.52	24.46	16.65	32.01
Typical	30.23	32.74	35.22	60.28	31.01	61.99%	43.37
# of responses	7	3	5	3	3	3	3

B. Adjusted for Purchases and Sales, but not renewals

High	54.77%	40.31%	73.10%	40.52%	31.01%	63.48%	66.87%
Low	21.76	31.51	32.18	34.26	12.95	6.65	45.88
Typical	30.56	35.91	38.04	37.39	21.98	29.62	56.38
# of responses	5	2	4	2	2	3	2

C. Adjusted for Purchases and Sales and Renewals (Cash Liquidations)

High	36.53%	25.10%	26.74%	--	--	62.69%	42.12%
Low	22.57	24.49	18.87	--	--	28.62	12.70
Typical	30.45	24.79	25.65	27.09	--	45.66	27.41
# of responses	3	2	3	1	--	2	2

TABLE 7: Secondary Market Activity in Second Mortgages, 1984
(Number of respondents)

I. Second Mortgages Purchased

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$679,698,911 (20)	$33,984,946	+41.45% (14)
Gross Dollar Amount*	$ 25,999,527 (2)	$12,999,764	--
Number of Loans	30,699 (19)	1,616	-7.57% (14)
Average Net Loan Size per Respondent	$25,333 (18)	--	--
Net Plus Gross Total Value*	$705,698,438 (22)	$32,077,201	--

II. Second Mortgages Sold

Dollar Amount	$659,901,727 (17)	$38,817,748	+14.76% (10)
Number of Loans	20,412 (14)	1,458	-18.52% (8)
Average Loan Size per Respondent	$28,561 (14)	--	

III. Second Mortgages Serviced

Net Dollar Amount	$1,156,416,258 (17)	$68,024,482	+3.52% (12)
Number of Loans	81,642 (19)	4,297	+13.85% (13)
Average Net Loan Size per Respondent	19,170 (17)	--	
Net Plus Gross Total Value**	$1,166,543,690 (18)	$64,807,978	

IV. Servicing Fees on Second Mortgages

	Typical	High	Low
As % of Net Second Mortgages Serviced	1.75%4 (7)	6.94%	0.04%
Per Second Mortgage Serviced	$312.11 (7)	$1,611.36	$12.17

---

* Gross values are used only for respondents who did not also report "net" data on a "net" basis.

** In this case all but one of those reporting "gross" figures also reported "net" figures, so the total equals the "net" data total plus the other firms $10,127,432 in gross balances.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1984	Year-end 1983	Year-end 1982
Value of Loans Held	$2,262,655,417	$ 573,784,482	$ 305,795,733
# of Loans Held	345,017	82,357	64,661
# of Holders	24	16	6
Average *Size of Loan Per Respondent	$21,031.00	$15,092.16	$10,709.18

II. Revolving Loan Originations

	In 1984	In 1983	In 1982
Value	$1,271,384,730	$ 385,338,489	$ 60,967,336
# of Loans	59,176	23,649	5,171
# of Originations	18	15	4
Average *Size per Respondent	30,931.00	$19,072.32	$11,438.98

III. Percentage Growth in Revolving Second Mortgages

	Outstandings		Originations	
	#	$	#	$
High	+7406.9%	+2488.2%	+11469.9%	+2060.7%
Low	-22.1%	-18.2%	-30.7%	+8.6%
Typical	+170.0%	+197.2%	+66.1%	+64.0%

---

* This average equals the sum of average loan sizes reported by each respondent divided by the number of repondents.

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

I. Adjustable Rate Second Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$ Value	# of Loans		$ Value	# of Loans
1984	$2,494,485,225 (24)	99,721 (23)	$27,738.51 (22)	67.86% (14)	80.05% (15)
1983	$1,777,041,937 (21)	55,942 (16)	$33,843.46 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718.18 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender*

	# (and %) Respondents of each type that offered ARMs		Prime Rate	Treasury Rates	Other Rates or Costs of Funds (CD rates, mortgage index, etc.)
LBFCo.s	6	(55%)	4	2	
SBFCo.s	1	(25%)	1		
Other LFCo.s	6	(67%)	4	1	1
Other SFCo.s	1	(11%)	1		
Commercial Banks	9	(82%)	5	3	4
Thrift Institutions	5	(83%)	3	3	
Mortgage Banks	4	(27%)	1	2	1

III. Balloon Mortgages **

	Volume		Typical Average Size	Typical Growth in	
	$ Value	# of Loans		$ Value	# of Loans
1984	$451,162,149 (22)	14,931 (21)	$31,021.58 (21)	49.47%	26.74% (13)
1983	$435,345,122 (22)	11,457 (18)	$27,987.14 (19)	34.40% (7)	10.16% (5)
1982	180,445,862 (7)	3,072 (5)	$26,422.62 (5)	--	--

* Some lenders used multiple indexes, see Table 10.

** An additional respondent held no balloon notes, *per se*, in the sense that there was a contractual maturity date -- but *all* notes originated contained a "call option" that allowed them to require early prepayment or renegotiation of rates -- thus, making them *de facto* potential balloon notes. Those balances are not included here, however.

TABLE 10: RATES USED TO ADJUST RATES ON ADJUSTABLE RATE SECOND MORTGAGES, 1984

Thrifts:

1. NA - 0
2. Predominantly Treasury rates
3. The Prime Rate published in Wall Street Journal + 1.9%
4. 6 month T-bill
5. Closed-end second mortgage -- 1 year T-bill revolving loans - prime + 2%
6. The company's base market rate

Commercial Banks:

1. 1, 2, and 3 year Treasury Securities (constant maturity)
2. Prime in Wall Street Journal
3. a. 3-month T-bill
   b. Federal Home Loan Mortgage index
4. 26 week average of the 180-day CD
5. None - 0
6. a. 6 month average of weekly auctions rates of 6-month T-bills
   b. Average auction rates of T-bills
   c. Secondary market rates for large negotiable (100,000) CD's
7. Wall Street Journal prime
8. Prime rate (Wall Street Journal)
9. Variable based on the 3 mo. CD rate from the Federal Reserve Bank. The revolving credit loans have a variable rate feature tied to prime as reported in the New York Times.
10. Average of New York Times prime rate for month prior to billing date
11. NA - 0

Mortgage Banks and Related Firms:

1. NA - 0
2. 6 month T-bills
3. 0
4. NA (none) - 0
5. 11th District Cost of Funds
6. No information provided
7. NA - 0
8. 0
9. 0
10. None - 0
11. NA - 0
12. NA - 0
13. Treasury Bill rate
14. The prime rate as reported in the money rate column of the Wall Street Journal

Table 10 continued ....

Small Holder Finance Companies:

1. None - 0
2. NA - 0
3. NA - 0
4. Fixed percentage above prime lending rate
5. None - 0
6. NA - 0
7. Not available - 0
8. NA - 0
9. None - 0

Large Holder Finance Companies:

1. NA - 0
2. Bank of America prime
3. NA - 0
4. - 0
5. a. The change of the 6-month T-bill rate with the base being the rate at the time the loan was originated.
   b. The change of the weighted average of two components (the 6-month T-bill and 10-year Treasury bond rate) with the base being the rates at the time the loan was originated.
6. Some rates vary with U.S. Prime rate
7. New York prime interest rate
8. Prime
9. Federal Home Loan Bank of San Francisco -- 11th District Cost of Funds

Small Holder Bank Finance Companies:

1. Weekly average yield on U.S. Treasury Securites adjusted to a constant maturity of one year
2. NA - 0
3. Average prime of New York City banks as published in the Wall Street Journal
4. Prime rate
5. Prime rate
6. Based upon prime lending rates and 3 month, 1, 2, and 5 year Treasury Securities
7. NA - 0
8. None - 0
9. None - 0
10. Security Pacific Bank prime rate
11. None - 0

TABLE 11: INDIRECT LENDING AND SUBORDINATION OF SECOND MORTGAGE DEBT, 1984

I. Percent of Second Mortgages taken as:

	First Lien (#)	First Lien ($)	Third or Greater Lien ($)	Third or Greater Lien ($)
High	40.74%	47.29%	50.00%	13.82%
Low	0	0	0	0
Typical	3.95	0.03	14.95	0
# responses	16	19	16	16
# non-zero responses	10	10	9	2

II. Indirect Lending

A. Percent of all responding Institutions reporting indirect:

	1. Outstandings	2. Originations
Thrifts	33%	17%
C. Banks	27%	18%
M. Banks	23%	38%
S. Fin. Co's	11%	11%
L. Fin. Co's	0%	33%
S.B. Fin. Co's	0%	50%
L.B. Fin. Co's	27%	27%

B. Holders Percentage of Indirect Second Mortgages

	Outstandings	Originations
Thrifts	2.9,6.2	0,0,46
C. Banks	0.5,23.5,54.2	0,0,0,0,0,17.4,100
M. Banks	0,0,0,15.6,100	0,0,0,0,16.1,60,100,100,100
S. Fin. Co's	5.0	0,0,6.9
L. Fin. Co's	0,0	0,0,0,5.6,18.7
S.B. Fin. Co's		17.1, 20.8
L.B. Fin. Co's	0,0,0,0,18.1,27.6,100	0,0,0,0,22.2,78.6,100

TABLE 12: Private Mortgage Insurance Policies of Second Mortgage Lenders, 1984

Thrifts: (33% have PMI policies)

1. Over 80% on owner-occupied. Over 70% non-owner occupied.
2. All loans with LTV over 80% and business for self loans over 50T LTV must have PMI coverage
3. None

Commercial Banks: (18%)

1. PMI on any loan where the CLTV > 80%
2. N/A

Mortgage Bankers: (38%)

1. If you can get it, get it!
2. When CLTV exceeds 80% on owner occupied property, we can go to 90% with PMI. When CLTV exceeds 70% on non-owner occupied property, we can go to 80% with PMI.
3. FNMA requirements on FNMA loans. Other MI coverage when CLTV exceeds 75% (65% for non-owner occupied).
4. FNMA requirements. PMI required where combined LTV exceeds 65%.
5. Loan funded if insured certificate is issued by insuror.
6. We do not require PMI.
7. N/A

Small-holder Non-bank Finance Company: (11%)

1. Residential loan with a current LTV of more than 80% -- Non-owner occupied with current LTV of more than 65%.
2. None
3. PMI not used on second mortgage loans.

Large-holder Non-bank Finance Company: (38%)

1. Life disability, disability, household contents, dwelling and real estate loan payment coverage is sold wherever permitted by state and law within confines of company policy.
2. PMI is required on all second mortgages where the loan-to-value ratio is greater that 75%; however, even with PMI, the maximum loan-to-value ratio is 85%.
3. N/A
4. No PMI used at present.
5. Insure loans exceeding 80% CLTV down to 70% of appraised value.

TABLE 12 continued..........

Small-holder Bank-affiliated Finance Companies: (0%)

1. N/A

Large-holder Bank-affiliated Finance Companies: (18%)

1. None
2. The company no longer requires PMI insurance on loans originated or purchased.
3. All over 85% insured on owner-occupied. Non-owner occupied all over 2/3 insured to 80% value.
4. Any loan with greater than 85% CLTV is insured for 25% coverage.

TABLE 13: SECOND MORTGAGE DELINQUENCY RATES, YEAR-END 1984

	Bank Fin. Co. Large Holders	Bank Fin. Co. Smaller Holders	Other Fin. Co. Large Holders	Other Fin. Co. Small Holders	Commercial Banks	Thrifts	Mortgage Banks	All Respondents
Total Delinquencies over 60 days (17 under 1%)								
High	3.88%	2.59%	5.88%	19.57%	1.11%	2.28%	4.54%	19.57%
Low	0.67	0.50	2.53	4.61	0	0.52	0	0
Typical	1.67	1.03	2.95	7.08	0.15	1.11	0.98	1.15
# Respondents	9	3	3	3	9	4	9	40
Total Delinquencies over 60 Days (#) (16 under 1%)								
High	5.59%	2.89%	4.64%	23.65%	1.34%	2.49%	6.00%	23.65%
Low	0.68	0.69	2.69	4.57	0	0.54	0	0
Typical	1.86	1.47	3.33	12.44	1.28	1.30	1.04	1.50
# respondents	9	3	3	4	9	4	9	41
Delinquencies from 60-89 Days Overdue ($)								
High	1.54%	0.59%	1.91%	14.09%	0.52%	0.89%	4.11%	14.09%
Low	0.26	0.17	0.57	0.50	0	0.10	0	0
Typical	0.49	0.30	0.99	2.84	0.05	0.22	0.42	0.42
# respondents	9	3	3	4	7	4	9	39
Delinquencies from 60-89 Days (#)								
High	1.94%	0.60%	1.35%	14.09%	0.52%	0.71%	3.28%	14.09%
Low	0.35	0.23	0.57	0.81	0	0.19	0	0
Typical	0.56	0.34	1.01	2.26	0.10	0.24	0.31	0.35
# respondents	9	3	3	5	8	4	9	41

TABLE 14: FORECLOSURE POLICIES OF SECOND MORTGAGE LENDERS, 1984

Thrifts:

1. Minimum 90 days delinquency or notice of default of prior liens.
2. Foreclosure proceedings are initiated on any loan past due 60 days or more.
3. Any mortgage that the Collection Manager feels cannot be resolved -- usually beginning at 3 payments behind.
4. After 120 days from non-payment.
5. Customer delinquent 60 + days past due and will not make arrangements to bring current.
6. Accounts 3 months in default and the current appraisal and title search reveal sufficient equity to repay balance plus previous liens are foreclosed.

Commercial Banks:

1. Any mortgage 60 days or more is sent a demand letter. This letter expires after 10 days. If there is no response the account is sent to the attorney for collection.
2. Indirect -- full recourse dealer (third party) pays it off.
   Direct -- assigned to an attorney.
3. Foreclosure proceedings are begun on a 30-day status account.
4. After 90 days -- send 10 day demand letter -- then forward to attorney.
5. Within 100 days, a loan is charged-off and sent to foreclosure department.
6. Loans 90 days past due.
7. An account which is 2 months in arrears and when an accepted form of repayment has not been established.
8. Depending on circumstances files are referred for foreclosure between 60 and 90 days delinquent.
9. Under advisement.
10. When customer is 30 days past due, a notice is sent for immediate payment. After 3 contractual notices (90 days past due), foreclosure proceedings are started.

Mortgage Bankers:

1. Foreclosure proceedings are initiated when the loan is 60 or more days delinquent at the request of the beneficiary.
2. If delinquent over 60 days with no activity or performance, then loan is put into foreclosure.
3. When an account becomes more than 60 days contractually delinquent, foreclosure is initiated unless extenuating circumstances warrant a delay in action. This decision is made by home office.
4. Notice of default (NOD) generally takes place by the 45th day of delinquency. From NOD to trustee sale is approximately 120 days.
5. Foreclosure proceedings begin when an account becomes 90 days past due.
6. Case by case review by Foreclosure Committee.
7. Started when account due for 2 payments and pursued until current or REO.

TABLE 14 continued.........

8. No written foreclosure policy.
9. Start foreclosure when account is 2 payments past due.
10. Upon default of two consequetive payments, the account goes into foreclosure

Small-holder Non-bank Finance Company:

1. No specific policy.
2. When security is in jeopardy due to senior lien being foreclosed or account becomes delinquent 90 days or more.
3. 90 days past due and no payment within the last 30 days.
4. All properties are written down to estimated current realizable value at time of foreclosure.
5. When we determine uncollectable over 60 days past due.
6. Standard Oregon trust deed procedures.
7. When all other efforts prove that the borrower is unable or unwilling to pay the obligation, the foreclosure process will be initiated.
8. All accounts receivable are monitored on a daily basis. We have a full-time collection manager who handles all slow payments, pay-off requests and renewal requests. When a slow account develops, the collection manager is on the phone with them trying to see if the problem is solvable and how to work with the customer in trying to bring him to a current position. If we find that we are unable to contact the customer by phone (they are called both during the day and evening hours) we write a letter to the customer. If we still find the customer unavailable to discuss the problem, we send a Mailgram. If after all of this we still have not contacted the customer, an attorney letter is sent again trying to come up with a satisfactory solution to the matter.

   If after all the above has been tried and the account becomes 60 days delinquent, we then send an Act 6 and Act 911 letter. As a matter of fact, if a customer is completely noncooperative after 30 days, often an Act 6 letter is sent in order to get their attention. If we are still unable to solve the problem with the customer after the Act 6 and Act 91 letters go out, the normal foreclosure procedure is handled by our attorney.

   In addition to the above, we have an in-house real estate broker who is a member of the firm and who will go out to see the property in question to make sure that it is being lived in and is kept in a satisfactory condition.

Larger-holder Non-bank Finance Company:

1. Used only if customer is consistently in arrears and no likelihood seen that the loan will be paid off or customer stopped making payments. Also, if customer abandons the residence or first mortgage records notice of default and is preparing to foreclose.
2. Identify problem second mortgages before they become 60 day items and fill out form requesting Home Office authorization either to protect or not protect interest in the property. Include recommendations of managers, Area Supervisor and Regional Supervisor. In addition, a new professional appraisal should accompany the form.

TABLE 14 continued........

3. Initiated when first mortgage holder initiates foreclosure proceedings or when it is determined that customers' ability to continue loan payments is in jeopardy -- usually 60-90 days delinquent.
4. Foreclosure preceedings start at the end of the 2 - month delinquency period.
5. Properties are written down to estimated current realizable value at time of foreclosure. Gain on sale of foreclosed properties are recognized in period of sale.
6. Loans are reviewed individually for foreclosure processing only after a thorough collection effort has been achieved and the default has not been cured.
7. Decision is made to foreclose when account is 60 days contractually past due.

Small-holder Bank-affiliated Finance Companies:

1. Foreclosure is determined by individual reviewing of accounts and only foreclosed on an estimate of potential recovery.
2. Individual basis -- after collection and other reasonable efforts unsuccessful. foreclosure proceedings initiated. Upon acquiring title, unpaid balance transferred to foreclosed properties account, but only to the extent that balance does not exceed net realizable value of property. Remaining balance, if any, is charged off.

Large-holder Bank-affiliated Finance Companies:

1. When an account becomes 60 days delinquent a request for legal foreclosure is completed.
2. Foreclosure regarded as least desirable solution, and every effort is utilized to reach an amicable solution. However, if all attempts prove futile, foreclosure is considered. After review and field recommendation, Home Office approval is necessary to commence foreclosure action.
3. Foreclosure proceedings should begin before an account reaches 90 days contractually delinquent.
4. Foreclosed properties are written down to estimated net realizable value at time of foreclosure and adjustments, as required, are made to the net realizable value after the date of foreclosure. Rental and other income is recognized as income upon receipt. Gains on sales of foreclosed properties are offset against non-capitalized expenses.
5. To attorney to collect on foreclosure after 2 payments delinquent, or if notified that first mortgage is in default (immediate).
6. On larger loans we consider starting foreclosure after the second payment is late.
7. After 9 months no pay -- the account is reviewed and considered for foreclosure.
8. Foreclosure process started after 2 payments past due.
9. Foreclosure proceedings are begun prior to the 60th day of default.

TABLE 15: SECOND MORTGAGE FORECLOSURE RATES, 1983 and 1984

	Number		$ Value	
	1983	1984	1983	1984
Total Foreclosures	4020	2413**	$86,028,626	$87,809,936 (34)
Maximum	1009	543	28,591,000	6,181,000
Minimum	0	0	0	0
Average/Respondent	112	64	2,325,098	2,439,165
# respondents	36	39	37	36

Foreclosure Rates (% of year earlier outstandings)

	1983		1984		Typical Value (#) of Responses	
	Low	High	Low	High	1983	1984
Large Bank Fin. Co.	0.20%	0.81%	0.10%	0.75%	0.43% (8)	0.22% (7)
Small Bank Fin. Co.	0.15	1.56	0.18	1.68	0.93 (5)	0.55 (3)
Other Large Fin. Co.	0.42	0.58	0.34	3.04	0.48 (4)	0.42 (4)
Other Smaller Fin Co.	0	2.49	0.50	11.93	1.15 (3)	1.66 (5)
Commercial Banks	0	0	0	0.04	0.0 (2)	0.0 (5)
Thrifts	0	1.21	0	0.58	0.60 (2)	0.40 (3)
Mortgage Banks	0.14	10.53*	0	4.00	2.74 (5)*	1.67 (3)
Other	0.45	0.45	-	-	0.45 (1)	--
Overall	0	10.53*	0	11.93	0.45 (27)	0.36 (29)

* This is high due to mortgage banks that reported foreclosures on serviced loans.

** 4424 foreclosures were reported by 79 respondents on membership renewal and dues voucher forms.

TABLE 16: DETAILS ON 1984 SECOND MORTGAGE FORECLOSURES

	Large Bank Finance Co.	Smaller Holder Bank Finance Co.	Other Large Finance Co.	Other Small Finance Co. Holders	Commercial Banks	Thrifts	Mortgage Banks	All Respondents
Foreclosed Property Taken by Deed (% of Number of Foreclosures)								
High	33.3%	- -	- -	57.1%	- -	0.9%	100%	100%
Low	0	- -	- -	0	- -	0	5.7	0
Typical (Avg)	4.3	84.2	- -	50.0	- -	0.4	17.5	25.5*
Responses	4	1	0	3	0	2	3	13
Foreclosed Property taken by Legal Process (% of Number of Foreclosures)								
High	100.0%	100.0%	- -	100.0%	- -	99.1%	94.3%	100.0%
Low	66.7	31.6	- -	42.9	- -	20.0	0	0
Typical (Avg)	96.2	100.0	74.1	50.0	100.0	59.6	82.5	75.14*
Responses	5	3	1	3	1	2	3	18
Foreclosed Property Liquidated (Number Liquidated as % of 1984 Foreclosures)								
High	110.3%	89.5%	116.6%	100.0%	- -	83.6%	100.0%	116.8%
Low	73.1	87.9	111.8	0	- -	0.1	11.4	0
Typical (Avg)	93.0	88.7	114.2	60.5	50.0	42.3	87.3	74.1
Responses	4	2	2	4	1	2	3	18
Foreclosed Property Sold (Number Sold as % of 1984 Foreclosures)								
High	166.7%	89.5%	111.8%	138.7%	- -	144.4%	100.0%	166.7%
Low	73.1	55.6	61.5	26.0	- -	0.1	13.0	0.1
Typical (Avg)	103.4	87.9	108.7	75.0	50.0	72.3	85.7	84.4
Responses	5	3	3	4	1	2	3	21
Dollars Realized on Sale Value of Property Sold (% of value of liens) -- 7 of 13 below 100%								
High	140.8%	- -	- -	- -	- -	316.7%	118.1%	316.7%
Low	14.1	- -	- -	- -	- -	12.7	82.3	12.7
Typical (Avg)	100.0	104.4	79.2	95.6	- -	164.7	90.4	103.8
Responses	5	1	1	1	0	2	3	13

*Average of all responses.

TABLE 17: SECOND MORTGAGE CHARGEOFFS IN 1984

Total Chargeoffs & Loss Allowances

		# Observations
Gross Losses	$69,948,834	50
Recoveries	10,151,175	45
Net Losses	47,771,886	49
Allowance for Losses	160,903,959	43

	Large Bank Finance Co.	Smaller Holder Bank Finance Co.	Other Large Finance Co.	Other Smaller Finance Co. Holders	Commercial Banks	Thrifts	Mortgage Banks	All Respondents
Recoveries as a % of Gross chargeoffs								
High	268.2%	34.4%	26.7%	73.9%	45.7%	63.7%	8.5%	268.2%
Low	3.0	4.1	5.6	0	6.7	0	0	0
Typical	20.4	22.6	12.7	2.4	26.2	18.1	3.1	25.0%*
Responses	10	3	3	6	2	3	4	29
Net Chargeoffs as % of Average Net Outstandings*								
High	1.39%	0.58%	3.39%	4.20%	0.05%	0.26%	2.11%	4.20%
Low	0.03	0.15	0.00	0.17	0	0	0	0
Typical	0.31	0.52	0.85	3.37	0.00	0.10	0.03	
Average								0.69
Responses	9	3	5	5	6	4	5	37
Net Chargeoffs as % of Previous Year-End Net Outstandings ($)								
High	1.33%	0.66%	0.94%	4.97%	0.12%	0.27%	3.16%	4.97%
Low	0.05	0.16	0.00	0.87	0	0.08	0	0
Typical	0.35	0.53	0.59	4.50	0.03	0.10	0.03	
Average								0.66
Responses	8	3	4	3	6	4	5	33

*Average for all respondents, mortgage banks and others ratios are inflated to the extent they report chargeoffs on loans serviced but not owned.

**May be overstated slightly if companies reported gross chargeoffs.

TABLE 18: CHARGE-OFF POLICIES OF SECOND MORTGAGE LENDERS, 1984

Thrifts:

1. 120 days non-real estate secured. Actual loss as determined by appraisal for real estate.
2. Second mortgages that are considered uncollectible through normal collection procedures, are renewed and authorized to charge-off by the Consumer Loan Committee.
3. Any loan more than 6 months in arrears with no payment for 6 months; judgement of Collections Manager; or, uncollectible.
4. At foreclosure.
5. Account 180 days plus if there is a small balance or in which foreclosure will not improve our position due to value of property.
6. Charge-off after 6 payments in default and no payment in 6 months. Charge-off after foreclosure/repossession and sale if deficiency exists.

Commercial banks:

1. This institution pursues all legal means to recover losses. When this action becomes unprofitable the outstanding balance is charged off.
2. Indirect paper is full recourse -- originating dealer must buy it back.
3. Any loan where our balance is more than the appraised value. Any second mortgage balance which we let 1st mortgage foreclose.
4. Our collectors handle the charge-offs.
5. When a loan is recognized as a loss, within 100 days, it is charged off.
6. Simple interest loans 5 months in default, discounted loans 7 months in default.
7. 120 days delinquent.
8. Any loan on which a deficiency balance exists after sale of the property charged off.
9. 120 days past due.
10. When a loan is 90 days past due, it is charged off.

Mortgage Bankers:

1. Not applicable
2. Unrealized return on REO after 24 months.
3. None
4. Any account which is 180 days (6 months) contractually past due must be in foreclosure or charged to the reserve.
5. All loans are subject to the charge-off policies of each investor we service. They vary from one to another.
6. When an account becomes 5 installments past due it is charged off.
7. Losses not recovered through the sale of property and mortgage insurance claims, if any, charged off.

TABLE 18 continued............

8. Case by case basis review by senior management.
9. Charge-off occurs after properties are liquidated.
10. No written foreclosure policy.
11. Charge-off balance, if any, after foreclosure or if property condemned and no value.

Small-holder Non-bank Finance Companies:

1. All accounts date of last payment one year or prior and deemed uncollectible.
2. Small delinquent balances where foreclosure is too costly or negative equity.
3. Account must be 6 months past due and 6 months no pay.
4. Loans secured by real estate which have not paid the equivalent of one regular installment amount in the prior three months are reviewed monthly and the balance or portion thereof deemed uncollectible is written off.
5. Once a year, anything over 90 days past due.
6. We charge-off all bad loans at date loss is established.
7. Based on loan by loan review of all receivables , provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level adequate to cover anticipated losses resulting from future liquidation of existing portfolio.
8. Delinquent accounts are reviewed on a monthly basis. When we decide to foreclose, we then re-review the file and if we feel there is a property loss, the account is written down.

Large-holder non-bank Finance Companies:

1. No payment for 180 days or sooner is clearly a loss.
2. No payment received in 9 months and the account is at least 9 months in arrears.
3. After sale of foreclosed property.
4. When an active bad debt account is more than 7 months overdue, both contractually and by recency, it is written down to the anticipated net realizable value. It may be reviewed periodically for futher reduction for a period not to exceed 24 months, or until it is sold.
5. Consumer Notes Receivable secured by real estate are generally written down to the value of the collateral by a charge against the reserve for doubtful receivables when repossession of the collateral actually occurs or is deemed likely.
6. Accounts are charged off when they are contractually past due at least one month and on which no payment of at least 1/2 of one contractual installment was made in the aggregate, during 6 month period.
7. Loans are reviewed for charge-off when the costs to protect our security are greater than our loan amount or the amount of money projected through a foreclosure action (REO).
8. Charged to loss when uncollectible, no collateral value, or 12 months contractually past due.

TABLE 18 continued...........

Small-holder Bank-affiliated Finance Companies:

1. Each month, installment notes receivable are charged off when the aggregate payment in the last 6 months is less than one full original contract payment or when, in the opinion of management, they are uncollectible or are deemed to be uneconomic to administer.
2. Each delinquent account is reviewed monthly and any significant amount that is potentially a loss is charged off.
3. Individual basis, but charge-off occurs not later than the time of foreclosure.

Large-holder Bank-affiliated Finance Companies:

1. It is the company's policy to charge-off real estate secured and sales finance contracts when they become 180 days contractually delinquent.
2. The company's charge-off policy is based on contractual delinquency. Generally accounts are charged off in the month that they become 6 months contractually delinquent.
3. An account positively identified as a loss because of a bankruptcy discharge, death (no estate), court rulings, lower market value than receivable, etc., regardless of contractual delinquency is charged off.
4. Accounts are placed into foreclosure status or charged off at three months recency. Accounts in foreclosure will be written down to current appraised value at time real estate is acquired.
5. Board of directors action after appraisal comparing realistic value versus indebtedness.
6. After 9 months no pay -- the account will be reviewed and considered for charge-off.
7. Deficiency balance after property liquidated.
8. None
9. Whenever an actual loss occurs or whenever a loss is recognized.
10. All finance receivables which appear uncollectible or require inordinate collection costs are written off. In any event, delinquent direct installment loans and sales finance contracts are written off for financial reporting if no payment is applied during the three-month period immediately preceding the balance sheet date, except, on loans over $25,000, those portions of the balances determined to be fully secured by real estate.

TABLE 19: INCOME RECOGNITION POLICIES OF SECOND MORTGAGE LENDERS, 1984

Thrifts:

1. Accrual
2. Accrual
3. GAP (General Accounting Priciples)
4. Add-on -- Rule of 78's -- old portfolio simple interest on portfolio originated since 9/1/83.
5. Accrual; income is recognized when earned.

Commercial Banks:

1. Accrual basis
2. Cash
3. Indirect: HEL Fixed Loans -- modified Accrual
   HEL Revolving Loans -- simple interest
4. Accrual
5. Accrual
6. Equity

Mortgage Bankers:

1. Commission
2. Accrual
3. Cash basis on installment note receivables -- accrual otherwise.
4. Cost basis
5. The accrual basis.
6. Finance charges on precomputed loans recognized as income using Rule of 78's. Interest bearing basis.
7. Cash
8. Accrual basis of accounting.
9. Cash basis
10. Accrual method

Small-holder Non-bank Finance Company:

1. Actuarial on precomputed.
2. Accrual
3. Cash basis
4. Interest on loan receivables: Income from precomputed real estate loan receivables is earned on the actuarial basis; income from interest-bearing receivables is earned as collected.
5. Accrual
6. As earned method.

TABLE 19 continued.........

Large-holder Non-bank Finance Company:

1. Precomputed: Rule of 78
   Per diem: as collected and accrued
2. Finance charges on discounted loans are generally taken into income as earned and collected under the sum-of-the-digits methods. Interest from interest-bearing direct cash loans is taken into income as collected. Finance charges on bank credit card receivables are taken into income as earned.
3. Interest bearing / Rule of 78's
4. Primarily simple interest at the contract rate with points earned by the actuarial method.
5. The combination method.
6. Rule of 78's and simple actualization
7. Accrual basis
8. Collection method

Small-holder Bank-affiliated Finance Companies:

1. Accrual
2. Accrual
3. Accrual Basis of accounting -- actuarial method applied to deferred finance income including origination fees.
4. Accrual Basis on interest.
   Sum of digits collection on finance charges.

Large-holder Bank-affiliated Finance Companies:

1. Liquidating Accrued
2. Effective yield (actuarial) method
3. Accrual
4. Interest income is recognized on the accrual basis of accounting loans, secured by other than 1 to 4 family dwelling that become 90 days past due are put on non-accrual status (no income accrued).
5. Cash basis for consumer receivables and accrual basis for commercial receivables.
6. **Proprietary information**
7. Sum of digits or actuarial-discount loans; Accrual -- interest bearing loans.
8. Accrual method up to 90 days.
9. Accrual
10. For accounts dated prior to January 1, 1984, with maturities of 84 months or less, income is earned by the actuarial method or the sum-of-the-digits method to correspond with the method of refunding in the event the receivable is paid in full prior to maturity; the actuarial method is used for accounts with maturities over 84 months. For accounts dated on or after January 1, 1984, income is earned by the actuarial method.

TABLE 20: PROFITABILITY OF SECOND MORTGAGE LENDERS, 1984

PRETAX INCOME AS % OF AVERAGE EQUITY

For Second Mortgages Only

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	33.90%	66.35%					120.40%
Low	12.37%	28.49%					3.82%
Typical	32.37%	47.42%	24.87%			325.57%	43.99%
#	3	2	1	0	0	1	4

For Full Portfolio

High	49.46%	39.16%	41.79%	134.32%		325.57%	120.40%
Low	12.38%	27.17%	9.75%	11.76%		-11.11%	29.80%
Typical	26.81%	28.50%	20.06%	49.99%		157.23%	40.42%
#	8	3	4	4	0	2	5

PRETAX INCOME AS % OF AVERAGE OUTSTANDINGS

For Second Mortgages Only

High	4.10%	6.35%		14.04%			
Low	1.66%	3.81%		0.37%			
Typical	2.97%	5.08%	2.57%	2.16%	0.43%	0.41%	1.99%
#	3	2	1	2	1	1	1

For Full Portfolio

High	8.66%	7.26%	3.00%	37.34%	11.09%	2.73%	77.13%
Low	1.72%	3.79%	1.64%	0.61%	0.43%	0.34%	1.95%
Typical	3.75%	5.05%	2.29%	2.66%		1.54%	6.12%
#	10	3	4	3	2	2	4

TABLE 21: INTEREST INCOME AND EXPENSE OF SECOND MORTGAGE LENDERS, 1984

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
Gross Interest Income as Percent of Average Second Mortgage Receivables							
High	21.71%	17.66%	20.38%	19.92%	14.49%	17.97%	26.31%
Low	14.13	17.45	17.38	13.87	13.86	14.76	7.94
Typical	15.97	17.55	19.87	17.05	14.25	16.37	14.60
#	6	2	4	3	3	2	4
Average Portfolio Outstandings							
High	36.80%	23.86%	24.11%	33.00%	14.49%	14.54%	30.01%
Low	13.89	19.93	15.31	18.21	12.74	12.43	6.09
Typical	19.49	19.94	20.15	20.07	13.20	14.01	14.35
#	10	3	5	4	3	3	5
Gross Interest Expense as % of Borrowings to Carry Second Mortgages							
High	11.93%	12.40%	10.97%				16.17%
Low	9.41	11.47	4.06				9.55
Typical	10.96	11.94	7.36		10.58%		12.00%
#	4	2	3	0	1	0	5
Total Borrowings							
High	12.00%	12.39%	10.97%	15.32%	11.20%		16.17%
Low	9.29	10.58	4.06	10.05	10.58		9.55
Typical	11.38	11.47	9.48	11.25	10.89	12.99%	11.90
#	9	3	5	5	2	1	6

TABLE 22: SECOND MORTGAGE LENDERS' REVENUES, 1984

Total Revenues Related to Second Mortgages/Average Net Second Mortgage Holdings

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	22.65%	18.61%	22.15%	26.03%	15.53%	18.59%	550.56%
Low	14.78	18.21	16.23	6.76	14.46	18.00	15.46
Typical	16.22	18.41	19.36	15.55	15.00	18.29	36.15
#	6	2	5	4	2	2	5

Total Revenues/Average Net Portfolio Holdings

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	45.26%	27.82%	28.25%	35.31%	15.53%	18.11%	422.04%
Low	14.28	22.88	15.52	10.50	14.50	15.57	15.13
Typical	20.53	23.03	20.12	22.32	15.02	15.66	34.16
#	10	3	6	5	2	3	5

Noninterest Sources of Revenue (% of average net seconds outstanding) Distribution of Responses (appicable to second mortgages)

	Service Fees	Prepayment Penalties	Insurance and Other Revenue
Thrifts	0,2.01	0,0.03	0,1.21
C. Banks	0,0,0,0.24	0,0.004	0,0.26
M. Banks	0,7.57	0,0.74	0.03,0.10,5.09,19.64
SH-NB Fin. Co.	0,0,0.17,4.89,5.53	0,0,0	0.09,0.58
LH-NB Fin. Co	0,0	0,0,0.33	0,0
SH-B Fin. Co.	0,0.54	0	0.84
LH-B Fin. Co.	0,0,0,0,0	0,0,0,0.12,0.14	0.02,0.12,0.81

Noninterest Sources of Revenue (%of average Net Second Mortgage Originations) Distribution of Responses

	Origination Fees	Brokerage Fees	Insurance and Other Revenues
Thrifts	0,0,0.37,0.95	0,0.54	0,3.0
C. Banks	0,0.10,0.99,4.29	0,0,1.06,1.07	0,0,0.39
M. Banks	0.54,1.39,2.29,2.67, 3.67,6.76	0,0.08,0.28.0.48	0,0.07,0.08,0.26, 0.57,2.45
SH-NB Fin. Co.	0,2.08	0,0	0.11,0.56
LH-NB Fin. Co.	0,0.001,3.69	0,0,0.42,2.84	0,0
SH-B Fin. Co.	0,0.83	0,0.03	2.17
LH-B Fin. Co.	0,0,0.84,1.44	0,0,0.07,2.98	0.25,0.32,2.25

TABLE 23: KEY STATE DATA 1984

(Number of respondents for each item is given in parentheses)

STATE	(1) Total Reported Outstandings	(2) Total Reported Originations	(3) Average APR	(4) Average 60 day + Delinquency Rate	(5) Number of Foreclosures
1.Alabama	$134,839,770 (11)	$51,337,137 (10)	16.96% (8)	0.93% (8)	23 (3)
2.Alaska	1,536,000 (1)	1,125,999 (1)	19.63 (1)	2.26 (1)	- -
3.Arizona	362,241,666 (13)	129,068,825 (11)	16.17 (11)	1.77 (12)	104 (8)
4.Arkansas	- -	- -	- -	- -	- -
5.California	2,614,031,776 (17)	1,002,418,604 (16)	16.74 (14)	2.34 (13)	442 (12)
6.Colorado	456,615,601 (13)	187,708,559 (12)	16.31 (11)	2.01 (11)	80 (7)
7.Connecticut	108,052,759 (9)	45,432,199 (8)	15.98 (7)	1.08 (7)	11 (5)
8.Delaware	31,449,107 (7)	19,924,050 (6)	18.08 (4)	0.97 (5)	0 (1)
9.Florida	629,261,319 (19)	227,800,596 (17)	15.92 (14)	2.02 (15)	169 (12)
10.Georgia	272,610,241 (20)	159,812,963 (19)	16.75 (17)	0.53 (18)	17 (13)
11.Hawaii	51,893,000 (2)	16,589,501 (2)	16.70 (2)	1.14 (2)	- -
12.Idaho	46,936,035 (6)	16,155,368 (6)	17.01 (5)	2.09 (6)	5 (2)
13.Illinois	177,230,110 (10)	90,304,005 (8)	16.69 (8)	1.72 (8)	29 (5)
14.Indiana	200,256,117 (13)	88,056,449 (10)	17.59 (8)	2.12 (11)	26 (5)
15.Iowa	75,384,630 (5)	32,063,721 (5)	17.66 (4)	4.62 (4)	- -
16.Kansas	95,658,551 (10)	36,418,704 (8)	17.92 (8)	4.52 (7)	32 (3)
17.Kentucky	73,829,875 (12)	38,181,606 (11)	18.27 (7)	1.09 (10)	5 (5)
18.Louisiana	111,113,605 (11)	41,583,487 (10)	17.23 (9)	1.85 (10)	23 (5)
19.Maine	2,030,557 (1)	601,470 (1)	- -	0.06 (1)	- -
20.Maryland	293,881,257 (15)	180,528,238 (14)	16.50 (10)	0.77 (10)	6 (8)
21.Massachusetts	147,770,758 (12)	98,985,916 (11)	15.84 (8)	0.90 (10)	4 (6)
22.Michigan	31,055,977 (3)	15,583,714 (3)	18.39 (2)	0.54 (2)	0 (1)
23.Minnesota	126,809,241 (6)	72,673,834 (6)	16.80 (5)	2.04 (5)	0 (1)
24.Mississippi	53,919,256 (9)	23,341,182 (8)	18.45 (7)	3.11 (6)	3 (1)

25.Missouri	109,427,659 (9)	52,679,864 (8)	17.82 (7)	0.85 (6)	15 (2)
26.Montana	15,448,667 (3)	8,769,299 (3)	17.04 (2)	3.45 (3)	5 (1)
27.Nebraska	25,341,954 (4)	9,791,929 (4)	17.71 (3)	2.22 (3)	4 (1)
28.Nevada	48,677,533 (5)	16,671,550 (5)	15.94 (4)	2.13 (5)	0 (2)
29.New Hampshire	36,313,491 (6)	22,335,695 (6)	16.06 (5)	0.81 (6)	1 (2)
30.New Jersey	539,764,155 (12)	335,381,675 (12)	15.88 (9)	4.44 (11)	62 (6)
31.New Mexico	51,894,442 (10)	29,327,054 (9)	16.46 (9)	2.00 (7)	8 (3)
32.New York	264,214,881 (12)	197,071,997 (12)	16.35 (11)	0.95 (11)	26 (7)
33.North Carolina	358,698,519 (12)	142,701,499 (11)	16.29 (9)	0.71 (10)	21 (3)
34.North Dakota	51,000 (1)	35,901 (1)	17.63 (1)	0 (1)	- -
35.Ohio	489,780,882 (12)	262,593,202 (11)	17.39 (8)	2.92 (9)	90 (4)
36.Oklahoma	294,186,314 (13)	102,999,029 (12)	17.30 (10)	3.58 (8)	39 (4)
37.Oregon	221,176,354 (10)	54,507,245 (9)	17.20 (9)	5.13 (9)	84 (5)
38.Pennsylvania	485,136,051 (13)	297,353,144 (13)	17.45 (9)	2.28 (10)	21 (5)
39.Rhode Island	26,801,857 (5)	17,040,797 (5)	15.22 (4)	0.82 (5)	0 (1)
40.South Carolina	175,495,078 (13)	72,811,719 (12)	17.02 (9)	1.11 (10)	16 (7)
41.South Dakota	5,334,081 (4)	2,359,027 (4)	19.02 (3)	5.73 (4)	1 (1)
42.Tennessee	130,895,121 (13)	57,854,747 (12)	18.45 (9)	3.47 (8)	10 (4)
43.Texas	137,625,583 (9)	78,497,228 (8)	13.73 (6)	0.58 (7)	5 (4)
44.Utah	89,158,562 (9)	32,250,922 (8)	17.12 (7)	2.78 (8)	102 (5)
45.Vermont	1,694,000 (1)	1,127,000 (1)	17.90 (1)	- -	- -
46.Virginia	316,695,822 (14)	113,426,615 (13)	16.25 (10)	0.70 (11)	17 (7)
47.Washington	125,646,200 (7)	47,416,760 (6)	17.83 (6)	2.57 (7)	7 (3)
48.West Virginia	43,292,967 (7)	18,122,926 (5)	17.69 (5)	2.73 (6)	10 (3)
49.Wisconsin	105,996,028 (5)	54,400,316 (5)	17.02 (4)	3.15 (4)	- -
50.Wyoming	12,914,515 (4)	3,438,999 (4)	20.24 (4)	8.85 (4)	1 (1)
51.Washinton D.C.	19,096,600 (3)	8,231,400 (3)	14.41 (2)	2.26 (2)	6 (2)
52.Ontario	1,520,000 (1)	898,800 (1)	18.83 (1)	- -	- -
53.Puerto Rico	87,513 (1)	- -	- -	0.00 (1)	0 (1)

TABLE 24A: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE - 1934

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Average Size of Originations	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings	(6) Comparative Ratio of A.P.R. to Overall A.P.R.
1.Alabama	49.28% (10)	99.96% (9)	$13,963 (7)	2.28% (3)	680.04% (5)	100.40% (8)
2.Alaska	73.31% (1)	100.85% (1)	$17,873 (1)	0 (1)	------------	114.93% (1)
3.Arizona	61.87% (11)	89.32% (11)	$24,120 (8)	1.40% (7)	74.84% (9)	98.43% (11)
4.Arkansas	-----------	------------	-----------	----------	------------	------------
5.California	53.64% (15)	85.05% (14)	$38,000 (13)	3.61% (9)	101.31% (11)	98.64% (11)
6.Colorado	58.07% (12)	121.65% (12)	$24,090 (9)	1.22% (6)	60.24% (8)	99.21% (11)
7.Connecticut	49.42% (8)	106.42% (8)	$28,596 (8)	0.40% (1)	60.06% (5)	99.21% (11)
8.Delaware	63.45% (6)	137.04% (5)	$15,439 (5)	0.00% (1)	23.14% (4)	103.31% (4)
9.Florida	40.35% (15)	77.85% (15)	$21,059 (14)	1.07% (9)	71.75% (13)	99.36% (13)
10.Georgia	62.08% (17)	117.62% (17)	$21,380 (16)	0.33% (11)	34.59% (14)	100.15% (17)
11.Hawaii	33.55% (2)	69.96% (2)	$35,742 (2)	0.002% (2)	-----------	96.11% (2)
12.Idaho	38.54% (6)	86.08% (6)	$19,294 (3)	0.41% (2)	58.94% (2)	97.99% (5)
13.Illinois	45.63% (8)	92.90% (8)	$17,064 (5)	2.59% (2)	42.82% (3)	101.06% (8)
14.Indiana	46.69% (10)	78.96% (10)	$15,027 (7)	1.45% (5)	111.25% (7)	103.00% (8)
15.Iowa	37.55% (5)	72.45% (5)	$19,683 (3)	----------	161.81% (1)	102.81% (4)
16.Kansas	53.74% (8)	101.96% (8)	$14,854 (5)	2.09% (3)	112.58% (4)	102.48% (8)
17.Kentucky	61.02 (11)	106.72% (10)	$13,195 (8)	1.24% (4)	40.66% (7)	107.78% (7)
18.Louisiana	39.25% (10)	83.19% (10)	$19,132 (7)	2.01% (5)	108.43% (6)	102.60% (9)

TABLE 24B: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE - 1984

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Average Size of Originations	(4) Ratio of Foreclosures to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings	(6) Comparative Ratio of A.P.R. to Overall A.P.R.
19.Maine	29.62% (1)	43.58% (1)	----------	----------	-----------	------------
20.Maryland	60.35% (13)	121.67% (13)	$23,513 (10)	0.21% (5)	42.80% (6)	100.76% (10)
21.Massachusetts	80.85% (11)	155.23% (11)	$24,495 (8)	0.07% (5)	44.65% (6)	98.70% (8)
22.Michigan	65.88% (3)	190.21% (3)	$12,947 (2)	0.00% (1)	36.89% (1)	103.08% (2)
23.Minnesota	57.59% (6)	92.84% (6)	$21,054 (4)	----------	27.93% (2)	98.71% (5)
24.Mississippi	44.14% (8)	102.47% (8)	$11,959 (5)	1.28% (3)	36.02% (2)	106.39% (7)
25.Missouri	59.51% (8)	111.68% (8)	$14,634 (6)	10.54% (2)	54.58% (3)	102.98% (7)
26.Montana	55.60% (3)	117.00% (3)	$23,516 (2)	2.03% (1)	-----------	98.09% (2)
27.Nebraska	82.31% (4)	156.95% (4)	$14,416 (3)	2.43% (1)	116.85% (1)	101.04% (3)
28.Nevada	46.51% (5)	84.86% (5)	$24,826 (3)	0.00% (1)	26.46% (2)	98.21% (4)
29.New Hampshire	61.22% (6)	101.44% (6)	$21,785 (5)	0.00% (1)	11.59% (3)	99.52% (5)
30.New Jersey	95.18% (10)	149.13% (9)	$23,531 (10)	0.26% (5)	74.61% (8)	100.54% (7)
31.New Mexico	73.04% (9)	145.16% (9)	$23,413 (6)	0.78% (3)	82.95% (5)	100.11% (9)
32.New York	72.64% (12)	137.56% (12)	$28,376 (9)	0.16% (6)	65.22% (8)	101.26% (6)
33.North Carolina	52.01% (11)	106.37% (10)	$15,511 (8)	0.30% (6)	59.16% (7)	99.55% (9)
34.North Dakota	70.39% (1)	96.84% (1)	$11,976 (1)	----------	-----------	103.22% (1)
35.Ohio	59.75% (11)	100.28% (9)	$16,288 (9)	0.67% (4)	136.21% (6)	100.95% (8)
36.Oklahoma	57.73% (11)	111.963% (10)	$18,294 (9)	1.65% (4)	114.84% (7)	102.10% (10)

APPENDIX

THE 1985 NSMA QUESTIONNAIRE

TABLE 24C: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE - 1984

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Average Size of Originations	(4) Ratio of Foreclosures to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings	(6) Comparative Ratio of A.P.R. to Overall A.P.R.
37.Oregon	36.05% (9)	88.82% (9)	$21,130 (9)	3.79% (5)	137.62% (5)	100.80% (9)
38.Pennsylvania	116.84% (12)	189.53% (12)	$17,353 (10)	0.13% (4)	115.69% (6)	104.95% (9)
39.Rhode Island	59.15% (5)	108.46% (5)	$22,960 (3)	0.00% (1)	118.62% (1)	96.56% (4)
40.South Carolina	53.67% (12)	106.56% (11)	$15,993 (9)	0.55% (6)	54.05% (8)	99.95% (9)
41.South Dakota	35.07% (2)	89.04% (4)	$ 7,230 (2)	0.88% (1)	159.35% (2)	106.73% (3)
42.Tennessee	59.05% (12)	117.50% (11)	$14,082 (8)	0.69% (3)	76.84% (6)	101.73% (9)
43.Texas	54.51% (7)	119.64% (7)	$25,768 (4)	0.63% (3)	114.10% (5)	80.97% (6)
44.Utah	35.98% (8)	80.14% (8)	$21,036 (5)	0.90% (4)	89.43% (5)	101.40% (7)
45.Vermont	66.53% (1)	180.93% (1)	$13,259 (1)	----------	-----------	100.56% (1)
46.Virginia	49.70% (13)	91.51% (12)	$21,596 (10)	0.74% (6)	41.16% (8)	100.15% (10)
47.Washington	46.74% (6)	108.39% (6)	$22,220 (3)	0.30% (2)	106.99% (4)	102.32% (6)
48.West Virginia	62.11% (5)	125.21% (4)	$13,010 (4)	3.29% (3)	200.02% (3)	104.38% (5)
49.Wisconsin	52.80% (5)	92.24% (5)	$19,592 (3)	----------	81.43% (1)	99.03% (4)
50.Wyoming	23.53% (4)	55.05% (4)	$15,418 (2)	0.80% (1)	311.95% (2)	118.44% (4)
51.Wash. D.C.	36.83% (3)	63.70% (3)	$57,438 (3)	4.45% (1)	138.30% (2)	99.14% (2)
52.Ontario	59.13% (1)	131.13% (1)	$24,292 (1)	----------	-----------	100.71% (1)
53.Puerto Rico	----------	-----------	----------	----------	-----------	-----------

NSMA NATIONAL SECOND MORTGAGE ASSOCIATION
EXECUTIVE DIRECTOR - Suite 308, 1166 DeKalb Pike, Center Square, Pennsylvania 19422 / (215) 277-3740
Toll Free Number Outside Pennsylvania 1-800-342-1121

____

IDENTIFYING NUMBER OF FIRM: ___ ___ ___ ___
(Assigned by NSMA)

TYPE OF FIRM:
(Check one)

___ 1. Finance Company
___ 2. Mortgage Banker
___ 3. Commercial Bank
___ 4. Savings & Loan Association
___ 5. Mutual Savings Bank
___ 6. Other (Specify) ______________ ______________

TYPE OF AFFILIATION (If Any):
(Check one)

___ 1. None
___ 2. Subsidiary of bank or bank holding company
___ 3. Affiliate of savings and loan or mutual savings bank
___ 4. Subsidiary of non-depository institution (specify type of institution) ______________ ______________
___ 5. Other (Specify) ______________ ______________

INSTRUCTIONS:

1. In answering the questionnaire, show whole dollar figures. (Do not round to the nearest thousand.)
2. See definitions at the end of the questionnaire.
3. Unless stated otherwise, report dollar amounts on Net Basis.

The following information is for the fiscal year ended: (Check one)

________ **December 31, 1984** **OR** ______________
(Specify date closest to year end for which data are available)

	MOST RECENT FISCAL YEAR-END		PREVIOUS YEAR	
	SECOND MORTGAGE	FULL PORTFOLIO	SECOND MORTGAGE	FULL PORTFOLIO
I. Volume and Outstanding Data Indicators				
1. Loans receivable outstanding and owned at end of fiscal year				
A. Number of loans outstanding				
B. Gross balances outstanding (includes precomputed finance charges plus principal balances outstanding)				
C. Net balances outstanding (includes principal balance only)				
D. Average loans outstanding (check one)				
☐ (1) Daily				
☐ (2) At beginning and end of month				
☐ (3) At beginning and end of quarter				
☐ (4) At beginning and end of year				
☐ (5) Other (specify)				
E. Average gross receivable outstanding				
F. Average net receivable outstanding				
G. Number of revolving loans outstanding				
H. Balances of revolving loans outstanding				

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
2. Volume of second mortgage loans originated during the fiscal year				
A. Gross Balance Outstanding	________	________	________	________
B. Net Balance Outstanding		________		________
C. Balance Renewed check if gross ☐ or net ☐	________	________	________	________
D. New Money	________	________	________	________
3. Volume of real estate secured revolving lending originated	________	________	________	________
4. Second mortgages receivable outstanding that were serviced but not owned at end of fiscal year				
A. Gross Balance Outstanding	________	________	________	________
B. Net Balance Outstanding		________		________
5. Volume of second mortgage purchased during fiscal year				
A. Gross Balance Outstanding	________	________	________	________
B. Net Balance Outstanding		________		________
6. Volume of second mortgage loans sold to other than affiliated company during the fiscal year	________	________	________	________
7. A. Volume of reported second mortgage loans where your mortgage has first position	________	________		
B. Volume of reported second mortgage loans where your mortgage has second position	________	________		
C. Volume of reported second mortgage loans where your mortgage has third position	________	________		

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
8. A. Volume of second mortgage loans where the mortgage has an adjustable rate feature				
B. What type of index is used to adjust the rate?				
C. Volume of second mortgage loans where the mortgage is a term (balloon) note, when the term is greater than one year and any loans that have a call provision.				
D. Volume of second mortgage loans where the mortgage is a fully amortized fixed rate loan				
9. Outstandings of direct and indirect loans where an indirect loan is a loan which is originated by a third party for a fee				
A. Direct loan net balance outstanding				
B. Indirect loan net balance outstanding				
10. Volume of direct and indirect loans originated				
A. Direct loan net balance originated				
B. Indirect loan net balance originated				

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE ONLY	FULL PORTFOLIO
II. Sources of Funds and Profitability		
11. Average borrowings during fiscal year (Based on average debt outstanding daily ☐; at beginning or end of each month ☐; quarter ☐; or year ☐ (check one).		
12. Average stockholders' equity during fiscal year (Based on average equity outstanding daily ☐; or at beginning and end of each month ☐; quarter ☐; or year ☐ (check one)).		
13. Interest expense for the fiscal year.		
14. Gross revenue for the fiscal year		
A. What type of income recognition method is used?		
B. Gross interest income		
C. Mortgage servicing fee income		
D. Origination fee on loans acquired for own account		
E. Brokerage fee on loans and other fee income		
F. Prepayment penalties		
G. Insurance and other non-fee revenue		
15. Income before income taxes for the fiscal year		

	SECOND MORTGAGE ONLY		
	HIGH	AVG.	LOW
16. Range of APR on loans originated during the year			

III. Contractual Delinquencies and Charge-offs

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE	
	NUMBER	UNPAID BALANCES INCLUDING LOANS AND FORECLOSURES BUT NOT OWNED
17. Contractual Analysis (Based on terms in effect at statement date and applicable to precompute, add-on, discount, and interest bearing accounts)		
A. Accounts current and with instalments past due less than 60 days		
B. Accounts past due: 60 - 89 days		
C. Accounts past due: 90 - 179 days		
D. Accounts past due: 180 days or more		
E. Total accounts delinquent over 60 days (should equal b+c+d)		
F. Total Accounts (both current & delinquent should equal a + e		
18. A. Do reported delinquent balances include real estate owned after foreclosure? ☐ Yes ☐ No.		
B. Provide number and amount of real estate owned after foreclosure.		
C. Are real estate owned after foreclosures included in outstandings? ☐ Yes ☐ No		
19. Do reported delinquent balances include unearned finance charges? ☐ Yes ☐ No. If so, provide dollar amount.		

20. Do delinquent balances apply only to fully owned loans or to serviced loans also?
☐ Includes own receivables only ☐ Includes serviced loans

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
	NUMBER	UNPAID BALANCE ON LOANS
21. Foreclosures		
A. Define foreclosure policy		
B. Total foreclosures consummated during the fiscal year including property taken by deed.		
1. Property taken by deed		
2. Property taken through legal process		
C. Foreclosed properties liquidated		
D. Property sold, number		
E. Property sold, dollar amount realized from sale		

	MOST RECENT FISCAL YEAR SECOND MORTGAGE AMOUNT
22. Charge-offs	
A. Define charge-off policy	
B. Gross charge-offs during fiscal year	
C. Recoveries during fiscal year	
D. Net charge-offs during fiscal year	
23. Allowance (reserves for possible loan losses at end of fiscal year)	

IV. Operating Policies

This data should be reported for the quarter ending with the end of fiscal year shown on the previous page. The data reported should relate to originated loans only, not purchased loans.

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE	
	NUMBER	DOLLAR
24. Number and dollar volume of second mortgage loans originated for personal, family or household purposes during quarter.	______	______
25. Number and dollar volume of second mortgage loans originated for other than consumer purposes.	______	______
26. Number and total dollar volume of second mortgage loans originated during the quarter (should be equal to sum of #24 and #25)	______	______
27. Estimated percent of dollar volume consisting of "purchase money" second mortgages		______
28. A. Number and dollar volume of private mortgage insured loans	______	______

B. Define private mortgage insurance policy

____

____

29. With respect to second mortgage loans made to consumers:

A. Average ratio of loan to appraised equity: ______%

B. Maximum ratio of all mortgages to appraised value of property: ______%

C. Average written maturity of new loans - dollar weighted: ______Months

D. Average actual maturity of new loans - dollar weighted: ______Months

V. State specific data on outstandings and foreclosures

For each state in which you operate please record the following information: (if you operate in more than 3 states, please Xerox this page and provide information applicable to additional states on the Xerox copies).

		1	2	3
A. Name of state				
B. Second mortgage outstandings in state*	No.			
	Amt.			
C. Originations in state* during 1984	No.			
	Amt.			
D. Average APR for second mortgages originated				
E. Second mortgage delinquencies				
1. Number accounts delinquent over 60 days				
2. Dollar amount of accounts delinquent over 60 days				
3. % of related receivables outstanding				
F. 1. Number of foreclosures				
2. Dollar value of liens				
G. Foreclosed properties liquidated during 1984				
1. Total number				
2. Dollar value				
3. Property sold number				
4. Property sold value				

*Report outstandings and volume net of unearned interest if possible.

NSMA QUESTIONNAIRE DEFINITIONS

REPORTING PERIOD: Most recent fiscal year ending on or closest to December 31, 1984.

PREVIOUS YEAR: Fiscal year exactly one year prior to the reporting period.

GROSS LOANS RECEIVABLE: Includes all principal loan balances due plus precomputed finance charges (unearned interest income) associated with those loans.

NET LOANS RECEIVABLE: Includes only principal loan balances due, i. e., net balances receivable equal gross balances receivable less precomputed finance charges (unearned interest income).

VOLUME OF NEW LOANS: Value of receivables originated and purchased during the period.

NEW MONEY: Amount of new money disbursed.

BALANCES RENEWED: Preexisting balances refinanced.

AVERAGE NET LOANS RECEIVABLE: Sum of net loans receivable outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Alternatively, daily average figures may be kept, or this year's net receivables can be added to last years net receivables outstanding and divided by two.

AVERAGE BORROWINGS: Sum of total borrowings outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters in the fiscal year. Again, daily average figures can be used, or the average of year-end debt balances can be provided.

AVERAGE STOCKHOLDERS EQUITY: Sum of stockholders' equity at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year.

"PURCHASE MONEY" SECOND MORTGAGE: Second mortgage used to help finance the borrower's initial purchase of the mortgaged property.